

**AGREEMENT FOR  
USE AND SUPPORT OF A  
SOLID WASTE DISPOSAL SYSTEM**

This AGREEMENT FOR USE AND SUPPORT OF A SOLID WASTE DISPOSAL SYSTEM ("Agreement"), dated as of May 24, 2016, is made by and between the SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA, hereinafter referred to as the "Authority", and the CITY OF CHESAPEAKE, VIRGINIA, hereinafter referred to as the "Member Locality."

**BACKGROUND:**

WHEREAS, the Authority was created in 1976 by concurrent resolution of the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the Counties of Isle of Wight and Southampton (the "SPSA Members"); and

WHEREAS, between 1983 and 1984, the SPSA Members entered into individual Use and Support Agreements with the Authority (such agreements, as originally entered into and subsequently amended, are the "Legacy Use & Support Agreements") which provided, among other things, that each SPSA Member would deliver to the Authority substantially all of the disposable solid waste generated or collected by or within or under the control of such member; and

WHEREAS, all of the Legacy Use and Support Agreements will expire on January 24, 2018; and

WHEREAS, in advance of the expiration of the Legacy Use and Support Agreements, a series of comprehensive studies were performed and discussions conducted in order to assess regional solid waste management planning and related issues; and

WHEREAS, based on such studies, discussions and other factors, the SPSA Members have determined that a cooperative approach to the continuation of a regional system of municipal solid waste management, effected through the Authority, is in the best interests of the SPSA Members individually and the region in general; and

WHEREAS, accordingly, the SPSA Members have each agreed to enter into *identical new agreements* with the Authority to replace their respective Legacy Use & Support Agreements (collectively, the “Post-2018 Use & Support Agreements”), with effect as of the Agreement Effective Date (defined below), to provide for the SPSA Members’ continuing delivery of municipal solid waste to the Authority and for the Authority’s continuing management and disposal of such waste.

**AGREEMENT:**

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and other consideration herein contained, the Authority and the Member Locality agree that, effective as of (but not until) the Agreement Effective Date, the Legacy Use & Support Agreement between the parties originally dated August 9, 1983, as amended, shall be and hereby is terminated and superseded in its entirety by the following terms and conditions set forth in this Agreement:

## ARTICLE I

### GENERAL INTENT AND PURPOSE

1. This Agreement is entered into between the Authority and the Member Locality in consideration of the “Background” factors stated above and pursuant to the authorization and mandate of the Virginia Water and Waste Authorities Act.

2. The Authority, in accordance with and subject to the terms, procedures, provisions and conditions hereinafter set out, desires to maintain and manage a safe, sanitary and environmentally sound solid waste disposal system and through such system accept, manage and dispose of the Member Locality’s solid waste.

3. The Member Locality, in accordance with and subject to the terms, procedures, provisions and conditions hereinafter set out, desires to use and support the Authority’s solid waste disposal system by providing for the disposal via such system of all municipal solid waste generated within, collected by or otherwise under the control of the Member Locality, and at rates set by the Board of Directors of the Authority from time to time in accordance with the Virginia Water and Waste Authorities Act.

## ARTICLE II

### DEFINITIONS

1. Agreement Effective Date – January 25, 2018.
2. Applicable Law – Collectively, the Virginia Water and Waste Authorities Act (as amended by Section 15.2-5102.1 of the Code of Virginia, sometimes referred to as the “Cosgrove Act”), the Virginia Waste Management Act, the Virginia Solid Waste Management Regulations (currently Chapter 81 of the Virginia Administrative Code), the Virginia Hazardous Waste

Management Regulations (currently Chapter 60 of the Virginia Administrative Code), the Resource Conservation and Recovery Act and any other federal, state or local law, rule, regulation, ordinance, permit, decree or other governmental requirement that applies to the services or obligations of either party under this Agreement, whether now or hereafter in effect, and each as may be amended from time to time.

3. Construction and Demolition Debris – Any Solid Waste that is produced or generated during or in connection with the construction, remodeling, repair and/or destruction or demolition of residential or commercial buildings, municipal buildings, roadways and other municipal structures, and other structures, including, but not limited to, lumber, wire, sheetrock, brick, shingles, glass, asphalt and concrete.

4. Delivery Point – Each facility and location owned or operated by the Authority, or by a third party that is subject to a contract with the Authority in respect of the Disposal System, that (a) possesses all permits required under Applicable Law to receive Solid Waste for disposal and (b) is designated by the Authority from time to time, in the Strategic Operating Plan, to accept Municipal Solid Waste from the Member Locality for further and final processing and disposal by or on behalf of the Authority (certain Delivery Points may sometimes be referred to as “transfer stations”).

5. Designated Disposal Mechanism -- The method (or methods) utilized by the Authority for final disposal of Municipal Solid Waste during the Term of this Agreement, as designated by the Board of Directors of the Authority from time to time in accordance with the express terms of and set forth in the Strategic Operating Plan. The Designated Disposal Mechanism may include, among other methods, (a) disposal of Municipal Solid Waste in the Regional Landfill in accordance with Applicable Law, (b) disposal of Municipal Solid Waste

through one or more facilities owned and/or operated by the Authority in accordance with Applicable Law and/or (c) disposal of Municipal Solid Waste pursuant to agreements between the Authority and one or more third parties; provided, however, notwithstanding anything in this Agreement to the contrary, (i) the Designated Disposal Mechanism may not include any landfill constructed, operated or otherwise existing in the Northwest River Watershed (defined as the geographical areas lying within the boundaries delineated as such and specified as the “Northwest River Watershed” on Appendix B attached to the Strategic Operating Plan), and (ii) SPSA shall not dispose of any Municipal Solid Waste (or other Solid Waste) in any landfill constructed, operated or otherwise existing in the Northwest River Watershed.

6. Disaster Waste – Any Solid Waste and debris that (a) is generated as a result of or in connection with any significant storm or other severe weather occurrence (such as, but not limited to, hurricanes and tornadoes), natural or man-made disaster, war, act of terrorism or other similar occurrence or event, together with Solid Waste and debris generated in connection with clean-up and/or reconstruction activities resulting from any such occurrences or events, and (b) is of a quantity or type materially different from the Solid Waste normally generated by or within the Member Locality.

7. Disposal System – All facilities and/or locations owned or leased by the Authority, or with respect to which the Authority otherwise maintains a contractual/commercial relationship, for the collection, management, processing and/or disposal of Solid Waste, including, but not necessarily limited to, the Regional Landfill, all Delivery Points and the Designated Disposal Mechanism(s), together with all equipment and vehicles owned or leased by the Authority and used in connection with the collection, management, processing and/or disposal of Solid Waste.

8. Disposal System Fees – Rates, fees and other charges imposed by the Authority for the collection, management, processing and/or disposal of Solid Waste within the Disposal System, as determined by the Board of Directors of the Authority from time to time in accordance with the Virginia Water and Waste Authorities Act (certain Disposal System Fees may sometimes be referred to as “tipping fees”).

9. Hazardous Waste – Any waste or other material that because of its quantity, concentration or physical, chemical or infectious characteristics may (a) cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness; or (b) pose a substantial present or potential hazard to human health, the Disposal System or the environment when treated, stored, transported, disposed of or otherwise managed. Hazardous Waste specifically includes, but is not necessarily limited to, any waste classified as “hazardous” under the Resource Conservation and Recovery Act, the Virginia Hazardous Waste Management Regulations or any other Applicable Law.

10. Household Hazardous Waste – Surplus or excess household products that contain corrosive, toxic, ignitable or reactive ingredients, including, but not necessarily limited to, cleaning products, old paints and paint-related products, pesticides, pool chemicals, drain cleaners and degreasers and other car-care products.

11. Municipal Solid Waste – All Solid Waste the collection of which is controlled by the Member Locality, including (a) Solid Waste that is generated anywhere within the SPSA Service Area and collected by the Member Locality, and (b) residential Solid Waste that is generated anywhere within the SPSA Service Area and collected by a third party for the benefit of (and under the direction and control of) the Member Locality. Municipal Solid Waste expressly excludes the following (collectively referred to herein as “Excluded Waste”):

(i) Hazardous Waste and Household Hazardous Waste, (ii) Recyclable Waste, (iii) Yard Waste, (iv) Construction and Demolition Debris, (v) Disaster Waste, (vi) Solid Waste delivered by citizens of the Member Locality to publicly-accessible landfills or other facilities and disposed of at such facilities, (vii) any Solid Waste generated by school boards, authorities or other political entities of the Member Locality (except to the extent (but only to the extent) that any such Solid Waste is actually collected by the Member Locality itself), and (viii) Out-of-Area Waste.

12. Out-of-Area Waste – Any Solid Waste that is created or generated outside of, or originates outside of, the SPSA Service Area.

13. Recyclable Waste – Any Solid Waste that, pursuant to Virginia’s Solid Waste Management Regulations (or other relevant Applicable Law) in effect from time to time, or pursuant to prevailing commercial practices in the waste management industry at the applicable time, (a) can be used or reused, modified for use or reuse, or prepared for beneficial use or reuse as an ingredient in an industrial process to make a product or as an effective substitute for a commercial product or (b) is otherwise processible (or reprocessible) to recover a usable product or is regenerable to another usable form, in each case, however, expressly excluding “residual” Solid Waste generated in connection with any such modification, preparation and/or processing for use, reuse, recovery and/or regeneration of other Solid Waste to the extent that such “residuals” cannot be categorized as “Recyclable Waste” in accordance with the foregoing.

14. Regional Landfill – The landfill located in the City of Suffolk, Virginia, developed, owned and operated by the Authority for the disposal of Solid Waste, or any additional or successor landfill developed, owned and operated by the Authority.

15. Solid Waste – Any garbage, refuse, sludge, debris and other discarded material, including solid, liquid, semisolid or contained gaseous material, resulting from industrial,

commercial, mining and agricultural operations, or residential/community activities, excluding (a) solid or dissolved material in domestic sewage, (b) solid or dissolved material in irrigation return flows or in industrial discharges that are sources subject to a permit from the State Water Control Board and (c) source, special nuclear, or by-product material as defined by the Federal Atomic Energy Act of 1954, as amended; provided, the waste that constitutes Solid Waste hereunder (and/or is excluded from the definition of Solid Waste hereunder) shall be subject to change from time to time during the Term of this Agreement to the extent necessary or appropriate under the Virginia Waste Management Act or other Applicable Law.

16. Special Termination Provision – The terms, conditions, requirements and procedures, collectively, pursuant to which the Member Locality may terminate this Agreement prior to the expiration of the Term (including, without limitation, payment by the Member Locality of the Early Termination Payment as calculated thereunder), in connection with its withdrawal from the Authority, as currently set forth in Schedule II attached hereto and as the same may hereafter be amended by the Board of Directors of the Authority in accordance with the express terms of Article VI.8 below, including, but not necessarily limited to, when and to the extent required to comply with Applicable Law.

17. SPSA Service Area – The geographic area covered by the political subdivision boundaries of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach, Virginia and the counties of Isle of Wight and Southampton, Virginia.

18. Strategic Operating Plan – That certain plan adopted by the Board of Directors of the Authority and attached hereto as Schedule I, which sets forth certain operational, maintenance, administrative and other responsibilities of the Authority with respect to the Disposal System and the performance of related services by the Authority, as the same may from



time to time be amended, supplemented or modified by approval of at least seventy-five percent (75%) of the Board of Directors of the Authority.

19. Term – The duration of this Agreement, as set forth in Article III hereof.

20. Yard Waste – Any Solid Waste defined as “yard waste” under the Virginia Waste Management Act (or other relevant Applicable Law) in effect from time to time, currently consisting of decomposable waste materials generated by yard and lawn care and including leaves, grass trimmings, brush, wood chips and shrub and tree trimmings, excluding roots, limbs or stumps that exceed the limitation(s) in length and/or diameter specified by the Authority in writing from time to time.

### ARTICLE III

#### TERM OF AGREEMENT; TERMINATION

1. Term.

(a) This Agreement shall become effective as of the Agreement Effective Date and shall continue thereafter for an initial term (the “Initial Term”) ending at midnight on the later to occur of (x) June 30, 2027 or (y) the last day of the initial term of any waste disposal or similar agreement, if any, to which SPSA is party as of the Agreement Effective Date pursuant to which a third-party vendor is serving (or will serve) as the primary/principal Designated Disposal Mechanism for the Authority, unless earlier terminated (i) by the Member Locality in accordance with the provisions of Section 2 below or (ii) in accordance with Section 3 below.

(b) Following the Initial Term, subject to the Member Locality’s continuing termination rights under Section 2 below and to the termination provisions of Section 3 below, this Agreement shall automatically renew for successive additional terms of ten (10) years each

(each, a “Renewal Term”), unless the Member Locality provides the Authority with written notice of its intent not to renew this Agreement at least eighteen (18) months prior to the expiration of the Initial Term or Renewal Term then in effect. For the avoidance of doubt, the Authority acknowledges and agrees that if the Member Locality provides timely notice of its intent not to renew this Agreement in accordance with this Section 1(b), then (i) this Agreement shall terminate effective as of the last day of the Initial Term or Renewal Term then in effect and (ii) such termination shall not be subject to the Special Termination Provision or require payment by the Member Locality of any Early Termination Payment (or any other resulting penalty, obligation or liability); rather, the Early Termination Payment shall be payable in accordance with the Special Termination Provision only in the event that the Member Locality terminates this Agreement prior to the expiration of the Term, as further described in Section 2 below and Schedule II attached hereto.

(c) The Initial Term and any/all Renewal Terms are referred to herein collectively as the “Term” of this Agreement.

(d) To avoid any doubt, the parties acknowledge and agree that (i) this Agreement, and the parties’ respective rights, obligations and responsibilities hereunder, shall commence and otherwise become effective only as of (and not until) the Agreement Effective Date, and (ii) until the Agreement Effective Date, the parties’ existing Legacy Use & Support Agreement shall remain in effect and govern the parties’ respective rights, responsibilities and obligations thereunder.

2. Early Termination. The Member Locality may terminate this Agreement prior to the expiration of the Term only in accordance with the Special Termination Provision, the current version of which is attached hereto as Schedule II.

3. Termination on Dissolution. This Agreement shall terminate contemporaneously with the dissolution of the Authority in accordance with the provisions of the Water and Waste Authorities Act (or other relevant Applicable Law).

4. Notification. The Authority shall notify the Member Locality (and all other SPSA Members) immediately following receipt by the Authority of (a) written notice by any SPSA Member of its election not to renew this Agreement under Section 1(b) above and/or (b) any Termination Notice delivered by any SPSA Member under and in accordance with the Special Termination Provision.

#### ARTICLE IV

##### AUTHORITY OBLIGATIONS

1. Strategic Operating Plan. The Authority shall manage, operate and maintain the Disposal System in accordance with the Strategic Operating Plan in effect from time to time. As described therein, the Strategic Operating Plan shall be reviewed by the Board of Directors of the Authority on at least an annual basis in connection with the Board's review and consideration of the annual operating budget of the Authority, and at such other times as the Board may deem necessary or appropriate. If deemed necessary or appropriate after any such review, the Strategic Operating Plan may be updated or otherwise modified by a resolution approved by at least seventy-five percent (75%) of the Board of Directors of the Authority, and any such updated/modified Strategic Operating Plan shall be appended to this Agreement as new Schedule I hereto in complete replacement of any and all prior Strategic Operating Plans. Notwithstanding the foregoing or anything to the contrary herein, in the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Strategic

Operating Plan, the terms and conditions of this Agreement (considered without reference to the Strategic Operating Plan) shall control with respect to the subject matter hereof.

2. Management, Operation and Maintenance. Subject to any additional, more specific, requirements, exceptions and limitations set forth in this Agreement (including but not limited to any such requirements, exceptions and limitations set forth in the Strategic Operating Plan), the Authority shall:

(a) Continually manage, operate and maintain the Disposal System in accordance with the requirements of this Agreement, all Applicable Law and any other contracts or agreements to which the Authority is a party with respect to the Disposal System;

(b) Receive and accept all Municipal Solid Waste at Delivery Points within the Disposal System;

(c) Directly or indirectly provide for all transportation vehicles and equipment required to transport Municipal Solid Waste from each Delivery Point to the Designated Disposal Mechanism(s) then being utilized by the Authority;

(d) Manage and otherwise effect the disposal of all Municipal Solid Waste via the Designated Disposal Mechanism(s) then being utilized by the Authority;

(e) Perform all applicable corrective, preventive and routine maintenance to the Disposal System, including repairs and replacements, designed to maintain the Disposal System in accordance with customary standards then prevailing in the waste management industry, including by remediating all property damaged or otherwise adversely impacted as a result of the services provided by the Authority hereunder, such that the Disposal System is maintained in good physical and operating condition consistent with customary industry practices and Applicable Law;

(f) Use all reasonable efforts to minimize service disruptions, Member Locality impacts and other inconveniences due to the availability of Delivery Points, the management, operation, maintenance, repair or replacement activities of the Authority with respect to the Disposal System, or any combination of such foregoing activities;

(g) Use all reasonable efforts to enforce, in accordance with their respective terms, all contracts, agreements and other arrangements to which the Authority is a party in connection with its management, operation and maintenance of the Disposal System, including but not limited to the Post-2018 Use & Support Agreements with the other SPSA Members and all contracts with respect to the Designated Disposal Mechanism(s) then utilized by the Authority;

(h) Provide qualified management, supervision and personnel necessary to perform the Authority's services hereunder;

(i) Maintain a sufficient number of personnel on hand to properly operate the Delivery Points, Regional Landfill, transportation system, and Authority administration at a level appropriate for the Disposal System, as determined by the Executive Staff of the Authority in accordance with and otherwise consistent with the Authority's annual budget approved by the Board of Directors each fiscal year;

(j) Provide the Member Locality, by the end of February in each year during the Term, with a good faith written estimate/projection of all applicable Disposal System Fees for the Authority's next fiscal year;

(k) Develop, implement and maintain comprehensive policies and procedures regarding Hazardous Waste, including procedures designed to exclude Hazardous Waste from the Disposal System, in each case in accordance with all Applicable Law. Such policies and

procedures may be set forth more particularly in the Strategic Operating Plan and/or in manuals or other documentation that the Authority is required to maintain in effect pursuant to the Strategic Operating Plan;

(l) Not facilitate the importation of Out-of-Area Waste, or otherwise accept any Out-of-Area Waste, for (i) disposal in the Regional Landfill and/or (ii) handling/processing/disposal at or by any other Delivery Point included within the Disposal System; and

(m) Not accept (and shall not be required to accept) any Excluded Waste (including but not limited to Disaster Waste) anywhere within the Disposal System, in each case except (i) in accordance with policies and procedures set forth in the Strategic Operating Plan (for example, policies and procedures regarding the acceptance of Household Hazardous Waste), but subject to any limitations on the acceptance of specific types of Excluded Waste that are expressly set forth in this Agreement; or (ii) as otherwise expressly authorized and approved by the Board of Directors of the Authority pursuant to an amendment to this Agreement duly adopted in accordance with the express terms of Article VI.8 below.

Unless otherwise specified in this Agreement, the Authority shall be solely responsible for all means, methods, techniques, procedures and safety programs or any combination of the foregoing in connection with the performance of the Authority's services hereunder, including in the event any such services are subcontracted or otherwise delegated to one or more third parties.

3. Delivery Points. Without limiting the generality of the foregoing obligations of the Authority under Section 2 above, the Authority agrees that the Member Locality shall have the right to deliver or cause the delivery of its Municipal Solid Waste to any or all Delivery Points included within the Disposal System, subject at all times to (a) available capacity at any

such Delivery Point designated by the Member Locality and (b) the right of the Authority to designate certain Delivery Points for special categories of Municipal Solid Waste; provided, notwithstanding anything in the foregoing or anywhere else in this Agreement to the contrary, the Authority shall at all times during the Term of this Agreement ensure that the Member Locality has access to at least one Delivery Point included within the Disposal System.

4. Compliance with Law. The Authority shall perform all services under this Agreement, including, without limitation, operation and maintenance of the Disposal System, in accordance with all Applicable Law. Furthermore, the Authority shall use best efforts to ensure that all subcontractors performing services relative to the Disposal System comply with all Applicable Law in the performance of such services.

5. Permits and Insurance. The Authority shall, at its sole cost and expense, obtain and maintain in effect at all times during the Term: (i) all licenses, permits and insurance that are necessary or appropriate in connection with the services provided hereunder in accordance with Applicable Law and otherwise consistent with industry standards; and (ii) at a minimum, the following insurance coverage:

(a) comprehensive general liability primary insurance having a minimum combined single limit of liability of one million dollars (\$1,000,000) per occurrence;

(b) comprehensive automobile liability primary insurance applicable to all owned, hired and non-owned vehicles having a minimum combined single limit of liability of one million dollars (\$1,000,000) per occurrence;

(c) environmental impact liability insurance of five million dollars (\$5,000,000) per occurrence; and

(d) excess liability insurance having a minimum limit of liability of ten million dollars (\$10,000,000) per occurrence.

The Authority shall, at least annually, review its existing licenses, permits and insurance and, as and when necessary, update and/or modify such licenses, permits and insurance to ensure that they are in compliance with all Applicable Law and otherwise consistent with reasonable industry standards.

6. Ancillary Waste Disposal Services.

(a) In addition to the arrangement contemplated under this Agreement pursuant to which the Authority shall accept, manage and effect the ultimate disposal of all Municipal Solid Waste of the Member Locality, the Authority may from time to time provide the Member Locality with additional/“ancillary” Solid Waste management and disposal services (collectively, “Ancillary Waste Disposal Services”), which may include (by way of example and not necessarily limitation) management and/or disposal of Household Hazardous Waste, vehicle tires (*i.e.*, tire-shredding services), Yard Waste and/or sludge.

(b) The Authority will provide Ancillary Waste Disposal Services, if at all, pursuant to a separate agreement with the Member Locality and/or pursuant to a “global” arrangement applicable to all SPSA Members and set forth in the Strategic Operating Plan; provided, however, that (i) all such Ancillary Waste Disposal Services and all applicable arrangement(s) with the Member Locality with respect to such Ancillary Waste Disposal Services shall be subject to prior approval of the Board of Directors of the Authority, and (ii) unless otherwise expressly authorized and approved by the Board of Directors of the Authority, (A) the fees charged by the Authority to the Member Locality for any such Ancillary Waste Disposal Services shall, at a minimum, be sufficient/adequate to cover the costs incurred



by the Authority in providing such services and (B) all Ancillary Waste Disposal Services shall be available at identical fees to all SPSA Members that at such time are parties to a Post-2018 Use & Support Agreement.

(c) Each year, in connection with its annual presentation to the Board of Directors of the Authority of its annual operating budget, the Authority shall prepare and provide a separate report that (i) specifically identifies all Ancillary Waste Disposal Services provided to each SPSA Member (including, if applicable, to the Member Locality) and (ii) includes appropriate/relevant financial data to demonstrate to the Board of Directors whether or not the fees charged by the Authority for such Ancillary Waste Disposal Services actually covered the costs incurred by the Authority in providing such services to each applicable SPSA Member.

(d) Notwithstanding anything herein to the contrary, and for the avoidance of doubt, the Authority acknowledges and agrees that its “core” obligation to accept, manage and dispose of the Municipal Solid Waste of the Member Locality (and all other SPSA Members) (i) does not and shall not constitute Ancillary Waste Disposal Services under this Section 6 and (ii) shall be performed by the Authority for the benefit of the Member Locality (and all other SPSA Members) only under and in accordance with their respective Post-2018 Use & Support Agreements and not pursuant to any other contract, agreement or arrangement.

## ARTICLE V

### MEMBER LOCALITY OBLIGATIONS

#### 1. Delivery of Municipal Waste; Related Obligations.

(a) The Member Locality shall be required to, and shall, deliver or cause to be delivered to the Authority one hundred percent (100%) of its Municipal Solid Waste.

(b) In connection therewith, the Member Locality shall strictly comply with all rules or regulations of the Authority in effect from time to time during the Term of this Agreement, and all instructions and directions of the Authority's agents and employees, in each case that are (i) required under Applicable Law, (ii) set forth in the Strategic Operating Plan and not otherwise inconsistent with the terms and conditions of this Agreement or (iii) are otherwise necessary for the lawful, safe and effective use and operation of the Disposal System and are communicated to the Member Locality in writing from time to time (including but not limited to all rules and regulations associated with the delivery of Municipal Solid Waste to applicable Delivery Points).

(c) On an annual basis, as promptly as practicable following receipt of any written request from the Authority (which the Authority shall endeavor to provide in advance of the Member Locality's deliberations regarding its annual budget), the Member Locality shall provide the Authority with a good faith, written estimate of the aggregate tonnage of Municipal Solid Waste that the Member Locality expects to deliver or otherwise cause to be delivered to the Disposal System during the Member Locality's next fiscal year. (The Authority understands that such estimates provided by the Member Locality cannot and do not constitute a guarantee, and that the actual amount of Municipal Solid Waste delivered by the Member Locality in a given year could vary materially from the corresponding good faith estimate thereof.) In addition, the Member Locality shall provide the Authority with as much prior notice as is reasonably practicable under the circumstances of any material changes (whether pending or possible) in the Municipal Solid Waste delivered (or caused to be delivered) by the Member Locality to the Authority hereunder, including, by way of example and not limitation, adoption of or changes in any recycling programs and/or changes in residential waste collection practices.

2. Payment of Disposal System Fees.

(a) The Member Locality shall be required to, and shall, pay to the Authority the Disposal System Fees set forth in fee schedules adopted by the Authority from time to time, in accordance with the Virginia Water and Waste Authorities Act or other Applicable Law, in respect of all Solid Waste delivered to the Authority by the Member Locality and, where applicable, by individual residents of the Member Locality. The Authority may establish individual fee schedules for various types of users and grades or categories of Solid Waste that require special handling or methods of disposal; provided, however, consistent with the requirements under the Articles of Incorporation of the Authority, (i) the Disposal System Fee schedules so adopted by the Authority shall at all times be identical with respect to all SPSA Members that have entered into a Post-2018 Use & Support Agreement, including the Member Locality, for so long as such SPSA Members (including the Member Locality) remain a party to a Post-2018 Use & Support Agreement, and (ii) with respect to all SPSA Members that have entered into and remain parties to a Post-2018 Use & Support Agreement, the Disposal System Fee schedules so adopted by the Authority shall in no event be based upon or distinguish between any such SPSA Members on the basis of the Delivery Point used by any such SPSA Member or the distance of any such SPSA Member from any such Delivery Point.

(b) The Authority shall invoice the Member Locality for all Disposal System Fees on a monthly basis, within ten (10) business days after the end of each month during the Term. Invoices will (i) reflect the total Municipal Solid Waste (or other applicable Solid Waste) tonnage received by the Authority from the Member Locality during the billing period, together with such other relevant information as the Authority and the Member Locality may deem appropriate, and (ii) include the Authority's calculation of the Disposal System Fees payable by

the Member Locality for such billing period. Invoices shall be due and payable, without offset, on or before (and in any event no later than) the last business day of the month immediately following the month covered by the invoice, except to the extent any such invoices are then subject to a good faith dispute between the parties. Any Disposal System Fees not timely paid will be subject to "late payment" penalties and/or interest in accordance with the policies and procedures of the Authority that are then in effect and set forth in the Strategic Operating Plan and/or the Disposal System Fee schedule.

(c) The Member Locality shall have the right, no more often than twice per calendar year during the Term of this Agreement, on no less than thirty (30) days' prior written notice, to inspect (or to appoint an independent accounting firm to inspect) any and all books and records of the Authority relating to this Agreement for any legitimate, bona fide business purpose, including, but not necessarily limited to, auditing the accuracy of the Authority's invoices and calculations of Disposal System Fees payable hereunder; provided, the Member Locality may not compensate any accounting firm hired for such inspection or audit on a contingency basis. Any audits and inspections pursuant to this Agreement shall be conducted during normal business hours solely at the Authority's offices, with minimal interference to the Authority's normal business operations. In the event any such audit reveals that the Authority has overcharged the Member Locality during the period audited, then (i) the Authority shall credit the amount that the Member Locality overpaid to the next invoice submitted by the Authority to the Member Locality; and (ii) if the Authority has overcharged the Member Locality by more than five percent (5%), in the aggregate, for the period audited, then (x) the amount credited to the Member Locality shall also include interest at a rate of three percent (3%) per annum, between the date of the overpayment and the date the overpayment is so credited to the

Member Locality, and (y) the Authority shall reimburse the Member Locality for the reasonable costs and expenses of any such audit. Except to the extent otherwise expressly provided in the foregoing, the costs and expenses of any such audit will be borne entirely by the Member Locality.

3. Title to Waste. The Member Locality hereby assigns and transfers to the Authority, and the Authority hereby accepts, all right, title and interest in and to all Municipal Solid Waste (and other applicable Solid Waste, expressly excluding Hazardous Waste) delivered to and accepted by the Authority pursuant to this Agreement, and such ownership shall vest in the Authority when recorded by the Authority's weighing scales or other measuring devices at a Delivery Point; provided, however, that inoperability of the Authority's weighing scales or measuring devices shall not alter the transfer of title of Municipal Solid Waste (or other applicable Solid Waste) to the Authority if it is otherwise accepted by the Authority. The Member Locality further agrees to join with the Authority in defense of any adverse claim to ownership of Municipal Solid Waste (or other applicable Solid Waste).

4. Hazardous Waste. The Member Locality shall not knowingly deliver or cause to be delivered to the Authority, or otherwise knowingly cause or allow to enter into the Disposal System, any Hazardous Waste. The Member Locality further agrees that in no event and under no circumstances shall title to any Hazardous Waste pass to the Authority. Upon receipt into the Disposal System of any Hazardous Waste from the Member Locality, the Authority shall provide the Member Locality with all reasonably available evidence identifying the Member Locality as the source of such Hazardous Waste. Thereafter, the Member Locality, with the reasonable assistance and cooperation of the Authority in loading the waste, shall expeditiously and within a reasonable period of time under the circumstances remove or arrange for removal of the

Hazardous Waste from the Disposal System at no expense to the Authority. Notwithstanding the foregoing, (a) if the Authority in its reasonable discretion deems it necessary or appropriate for the protection of property, human health or the environment, or if the Member Locality fails to promptly remove Hazardous Waste in accordance with the foregoing requirements, then the Authority, acting through itself or others, may (i) remove and dispose of the Hazardous Waste and (ii) charge the Member Locality the reasonable costs and expenses paid or otherwise incurred by the Authority in connection with the removal and disposal of such waste, which such costs and expenses shall be added to the Member Locality's invoice for the month(s) in which they are incurred; and (b) the Member Locality shall have the right to dispute that it is the source of the Hazardous Waste (or that Solid Waste designated by the Authority as Hazardous Waste does in fact constitute Hazardous Waste hereunder), and any action undertaken by the Member Locality (or the Authority) in removing or arranging for the removal of Solid Waste designated by the Authority as Hazardous Waste shall not constitute a waiver of such rights.

5. Other Excluded Waste. In addition to and not in limitation of the restrictions on Hazardous Waste set forth in the foregoing Section 4, the Member Locality shall not knowingly deliver or cause to be delivered to the Authority, or otherwise knowingly cause or allow to enter into the Disposal System, any Excluded Waste, in each case except (a) in accordance with the policies and procedures set forth in the Strategic Operating Plan (for example, policies and procedures regarding the delivery of Household Hazardous Waste) or (b) as otherwise expressly authorized and approved by the Board of Directors of the Authority pursuant to an amendment to this Agreement duly adopted in accordance with the express terms of Article VI.8 below.

6. Special Covenant. Under this Agreement, the Member Locality has committed to deliver or cause to be delivered to the Authority all of its Municipal Solid Waste, which in

accordance with the definition set forth above consists of all Solid Waste the collection of which is controlled by the Member Locality. In light of this commitment and the corresponding obligations of the Authority hereunder, and the impact on the other SPSA Members of the Member Locality's failure to fulfill such commitment, the Member Locality agrees that for so long as this Agreement remains in effect the Member Locality shall not relinquish control of the collection of residential Solid Waste.

## ARTICLE VI

### GENERAL

1. Entire Agreement. As of, and from and after, the Agreement Effective Date, the provisions of this Agreement, including the Strategic Operating Plan and any other schedules, appendices or exhibits hereto, do and shall constitute the entire agreement between the parties with respect to the subject matter hereof and supersede any and all prior or contemporaneous negotiations, understandings or agreements with respect to the subject matter hereof. (Without limiting the generality of the foregoing, the parties hereby acknowledge and agree that, as of the Agreement Effective Date, (a) the Legacy Use & Support Agreement between the parties shall terminate and be of no further force or effect and (b) this Agreement shall supersede the Legacy Use & Support Agreement between the parties in its entirety.) However, nothing in this Agreement shall be construed to limit the right of the parties to enter into agreements, contracts or arrangements with respect to the provision and use of Ancillary Waste Disposal Services, the use, maintenance and/or operation of Disposal System facilities or other authorized activities; provided, however, such other agreements, contracts and arrangements shall (i) where related to the provision of Ancillary Waste Disposal Services be subject to the terms of Section 6 under Article IV above, and (ii) in any event be subject to approval by the Board of Directors of the

Authority in accordance with applicable Law. It is agreed that this Agreement has been jointly negotiated and prepared by both parties, and this Agreement shall not be construed against either party by reason of that party's participation in the drafting or preparation of this instrument.

2. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Virginia.

3. Dispute Resolution. Any dispute, claim or controversy arising under, out of, in connection with or relating to this Agreement, or the transactions contemplated hereby, or any course of conduct, course of dealing, or actions of any party relating to this Agreement, including any claim based on or arising from an alleged tort (each, a "Dispute"), shall be resolved exclusively in the following manner:

(a) Pre-Mediation Procedures. Prior to resorting to litigation in respect of any Dispute hereunder, each party shall cause one or more senior members of its executive staff (e.g., City/County Manager or Assistant City/County Manager, in the case of the Member Locality, and Executive Director or Deputy Executive Director, in the case of the Authority) to first meet with senior members of the executive staff the other party and attempt to resolve the Dispute by mutual agreement. The initial meeting under this Section 3(a) shall be held within ten (10) days after the request by either party for any such meeting.

(b) Mediation.

(i) If the Dispute is not resolved by the parties under Section 3(a) above, either party may submit to the other party a written request for non-binding mediation of such Dispute. Within fifteen (15) days after such written request is made, the parties shall attempt to agree on a single mediator. If the parties cannot agree on a mediator within such period of time, then the mediator shall be jointly designated by similarly-situated outside



advisors of the parties (for instance, the respective accounting firms or law firms then providing services to the respective parties).

(ii) Mediation shall take place at the place or places and at the time or times set by the mediator, but shall not be held in public. The rules of procedure, evidence and discovery with respect to any mediation shall be as directed by the mediator. Neither party may be represented at hearings before the mediator by an attorney, but each party may consult with counsel outside the hearing room and counsel may assist in preparing any written materials to be used in the mediation, including statements and briefs.

(iii) The mediator shall facilitate communications between the parties and assist them in attempting to reach a mutually acceptable resolution of the Dispute by agreement. The mediator shall make no binding determinations, findings, or decisions.

(iv) The mediator's expenses shall be borne equally by the parties.

(v) At any point in the mediation process after the initial meeting with the mediator, either party may declare in writing that an impasse exists, and thereafter either party may proceed to litigation in accordance with the terms of Section 3(c) below.

(c) Litigation. Any Dispute not resolved in accordance with the foregoing provisions shall be resolved by a United States federal court or Virginia state court sitting in the City of Norfolk in the Commonwealth of Virginia (the "Chosen Courts"), and each party hereby irrevocably (i) consents and submits to the exclusive jurisdiction of the Chosen Courts for any suit, action or proceeding initiated in respect of such Dispute, (ii) waives any objection to the laying of venue of any such suit, action or proceeding brought in the Chosen Courts, including any claim that any such suit, action or proceeding brought in the Chosen Courts has been brought

in an inconvenient forum, and waives the right to raise any such objection, and (iii) waives all right to trial by jury in any suit, action or proceeding initiated in respect of such Dispute.

(d) Equitable Relief. The parties specifically and expressly acknowledge and agree that the breach by either party of certain provisions of this Agreement will cause the other party irreparable harm. Therefore, in addition to but not in limitation of any other remedy to which the non-breaching party may be entitled, if either party breaches or threatens to breach any such provisions hereof, the other party shall be entitled to obtain equitable relief for any such breach or threatened breach so that the party that is breaching, has breached or has threatened to breach this Agreement shall be required to cease and desist immediately from such activities (it being agreed that damages alone would be inadequate to compensate the other party and would be an inadequate remedy in such event).

4. Notice. Any notice or other communication required or permitted to be given under this Agreement shall be given in writing and delivered in person, sent via confirmed facsimile or delivered by nationally-recognized courier service, properly addressed and stamped with the required postage, to the applicable party at its address specified below and shall be deemed effective upon receipt of confirmation of delivery (or attempted delivery that is refused by the recipient). Either party may from time to time change the individual designated to receive notices or its address by giving the other party notice of the change in accordance with this Section 4. The current addresses for the parties are as follows:

**The Authority**

Southeastern Public Service  
Authority of Virginia  
Attn: Executive Director  
723 Woodlake Drive  
Chesapeake, Virginia 23320

**Member Locality**

City of Chesapeake  
306 Cedar Road, Sixth Floor  
Chesapeake, VA 23328  
Attn: City Manager

5. No Waivers. The failure of either party to object to a breach or default by the other party under this Agreement shall not constitute a waiver of that party's rights with respect to any subsequent breach or default as to the same or any other obligation or condition of this Agreement. No provisions of this Agreement shall be deemed waived without express written consent of waiver.

6. Severability. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable in any respect, the parties shall make good faith efforts to modify this Agreement in a manner that will implement the intent of the parties as embodied herein. Any resulting modification and the remaining provisions of the Agreement shall be valid and enforceable to the fullest extent permitted by law.

7. Assignment. Neither party may assign this Agreement without the prior written consent of the other party; provided, a permitted assignment shall not relieve a party of its obligations under this Agreement unless this Agreement (and all of such obligations) shall have been assumed by the assignee in a writing satisfactory to the other party in its sole discretion. Nothing in the foregoing shall limit or serve as a limitation on the Authority's right to subcontract and/or delegate its obligations hereunder in accordance with the Strategic Operating Plan and/or Applicable Law.

8. Amendment. Any proposed amendment, modification, repeal or alteration, in whole or in part, of any material provision of this Agreement, including but not necessarily limited to provisions regarding the Designated Disposal Mechanism, Excluded Waste and the Special Termination Provision (each, a "Proposed Amendment"), shall be presented in writing for the first time at a regular meeting of the Board of Directors of the Authority. Any such Proposed Amendment may be considered and modified/supplemented at the meeting during which such

Proposed Amendment was first presented, but a Proposed Amendment may not (and shall not) be acted upon by the Board of Directors until, at the earliest, the next regular meeting of the Board of Directors. In addition to and not in limitation of the foregoing notice requirements, no amendment, modification, repeal or alteration, in whole or in part, of this Agreement, or any provision hereof, shall be valid unless such amendment or modification (a) is set forth in writing and executed by both the Authority and the Member Locality and (b) has been authorized by a resolution approved by at least seventy-five percent (75%) of the Board of Directors of the Authority.

9. No Survival. All rights and obligations of the parties under this Agreement shall be extinguished and terminated in their entirety upon any termination or expiration of this Agreement in accordance with the terms hereof; provided, however, that termination or expiration of this Agreement shall not limit or prohibit either party from pursuing any remedies available to it at the time of or in connection with any such termination or expiration.

10. Acknowledgement. This Agreement reflects an arm's-length transaction. Nothing herein shall create a fiduciary, partnership, joint venture or other agency relationship between the parties. This Agreement is not entered into for the benefit of, nor are any rights granted to, any third party except as may be expressly provided for herein (if at all). Neither party may withhold or offset any amount due or owed to the other party under this Agreement against any amount due from (or allegedly due from) the other party, whether under this Agreement or otherwise.

11. Force Majeure. Failure of either party to perform under this Agreement, including but not limited to failure of the Member Locality to deliver or cause to be delivered Municipal Solid Waste to the Authority and/or inability of the Authority to accept Municipal Solid Waste at any or all Delivery Points, but expressly excluding payment of monies owed hereunder, by reason of Force Majeure shall not constitute default under or be cause for termination of this

Agreement. However, the party so failing to perform by reason of Force Majeure shall notify the other party of the failure as promptly as practicable under the circumstances, including the reasons therefor, and shall use reasonable best efforts to correct such failure to perform as promptly as practicable under the circumstances. “Force Majeure” shall mean any cause beyond the reasonable control of the party whose performance is affected hereunder, including but not limited to acts of God, war, terrorism, riot, fire, explosion, storm, flood, labor disputes, inability to obtain or use fuel, power or raw materials, shortage or failure of the usual means of transportation, injunction, accident or breakdown of machinery or equipment, or failure of performance by any Designated Disposal Mechanism that is not owned and operated by (or otherwise under the direct control of) the Authority, whether or not any such occurrence is caused by the negligence, active or otherwise, of the affected party, its agents and/or employees.

12. Counterparts. This Agreement may be executed in multiple counterparts and by each party on a separate counterpart, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

*[Remainder of page intentionally left blank – signature page(s) follow]*

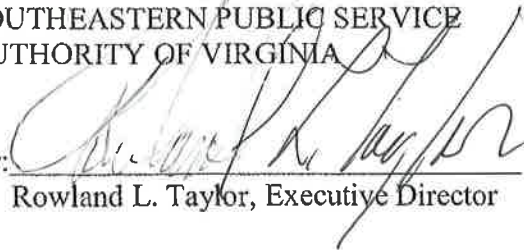
IN WITNESS WHEREOF, the Authority and the Member Locality have caused this agreement to be executed on their behalf and their seals to be affixed and attested by officials thereunto duly authorized, all as of the day and year first above written.

ATTEST:

  
\_\_\_\_\_

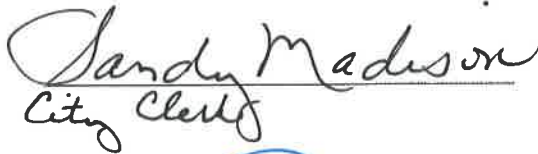
SOUTHEASTERN PUBLIC SERVICE  
AUTHORITY OF VIRGINIA

By:

  
\_\_\_\_\_

Rowland L. Taylor, Executive Director

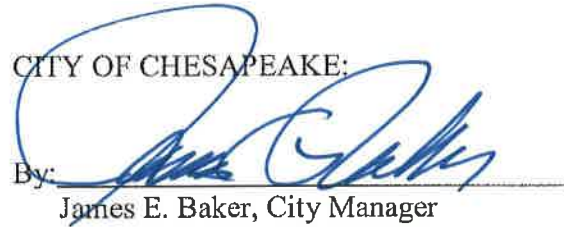
ATTEST:

  
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Sandy Madison  
City Clerk

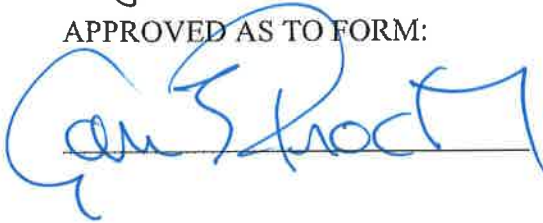
CITY OF CHESAPEAKE:

By:

  
\_\_\_\_\_

James E. Baker, City Manager

APPROVED AS TO FORM:

  
\_\_\_\_\_

**SCHEDULE I**  
**STRATEGIC OPERATING PLAN**

See attached.

SOUTHEASTERN PUBLIC SERVICE AUTHORITY  
OF VIRGINIA

# STRATEGIC OPERATING PLAN

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MEMBER MUNICIPALITIES:

CITIES OF CHESAPEAKE, FRANKLIN, NORFOLK,  
PORTSMOUTH, SUFFOLK AND VIRGINIA BEACH,  
AND THE COUNTIES OF ISLE OF WIGHT AND  
SOUTHAMPTON



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# STRATEGIC OPERATING PLAN

## SOUTHEASTERN PUBLIC SERVICE AUTHORITY

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### 1.0 INTRODUCTION

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The Southeastern Public Service Authority of Virginia (“SPSA” or the “Authority”) is a public body politic and corporate and a political subdivision of the Commonwealth of Virginia. SPSA was created in 1976 under the Virginia Water and Waste Authorities Act for the purpose of operating a regional solid waste disposal system for its eight (8) members including the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the Counties of Isle Of Wight and Southampton (the “Member Localities”).

This Strategic Operating Plan (“SOP”) describes and outlines SPSA’s operations and responsibilities as it pertains to the region’s solid waste disposal system. This SOP will be reviewed by the Board of Directors of SPSA on at least an annual basis and, in connection with such reviews, may be revised, amended and/or modified by the Board of Directors in accordance with the terms of Section 10.0 below. Furthermore, from and after January 25, 2018, this SOP will be attached to and incorporated by reference in the “new” Use & Support Agreements entered into by SPSA and the Member Localities effective as of such date.

- |                |   |
|----------------|---|
| Core Purpose:  | Management of safe and environmentally sound disposal of regional waste.  |
| Philosophy:    | SPSA will be a service-oriented, quality-focused organization that continually seeks improvement and cost effectiveness.  |
| Cores Values:  | Integrity, excellence, accountability, cooperation, teamwork.   |
| Core Business: | Create, manage and maintain an infrastructure for the disposal of regional waste, including through the operation and management of the regional landfill and all transfer stations and other delivery points, and provide for the transportation of processible waste. |

Certain capitalized terms not otherwise defined in this SOP have the meanings set forth in Appendix A attached hereto.

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### 2.0 GUIDING PRINCIPLES

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SPSA is a service organization that provides waste disposal and associated services to its member communities – the Member Localities – and other users of its Disposal System. **SPSA’s single most important priority is to satisfy the waste-disposal needs of the Member Localities, and accordingly SPSA’s primary guiding principle is to endeavor, at all times, to provide the highest quality of services in meeting such member needs at the lowest reasonable cost.** Other principles, policies and procedures that SPSA has adopted to fulfill its highest priority, as stated above, include among others the following:

- SPSA will plan, construct and operate its Disposal System in a manner designed to ensure that Member Localities have viable, cost-effective Solid Waste disposal options for at least the next 20-plus years, consistent with the requirements of the Regional Solid Waste Management Plan for Southeastern Virginia prepared on behalf of SPSA, and will periodically reevaluate/reassess (and as and when necessary and appropriate modify) its Disposal System to ensure that SPSA is adapting to evolving waste-disposal needs of its Member Localities.
- SPSA will continually perform internal reviews, and adapt its policies and procedures as appropriate, in a manner designed to ensure it is utilizing best management practices in all facets of its operation of the Disposal System to ensure the highest level of service at the lowest reasonable cost.
- SPSA previously implemented and will continue to maintain an overall “Five-Year Strategic Plan”, which is and will continue to be reviewed annually by Executive Staff and the Board of Directors to determine whether amendments are appropriate.
- SPSA recognizes the differences in the waste-disposal needs of its Member Localities and strives to satisfy differing member needs in a cost-effective way. Said differently, SPSA realizes that a “one-size-fits-all” approach is insufficient given the divergent requirements of its members and, where possible in a cost-effective and efficient manner, identifies and implements procedures to address specific member needs. One example of such current measures utilized by SPSA is its flexibility with regard to its Delivery Points (transfer stations): its Member Localities typically utilize the Delivery Point(s) that are most convenient for their drivers, whether or not those stations fall within the geographic boundaries of the given member. Furthermore, SPSA will continually assess and adapt to changing member requirements through the implementation of new/additional procedures as appropriate.
- SPSA regularly considers using third-party vendors when it is likely to result in reduced operating costs or other efficiencies. SPSA issues requests for proposals (RFPs) where appropriate that, among other benefits, are designed to ensure the best “outsourced” services at the lowest costs. Recent examples include: Liability and Property Insurance; Auditing Services; Health Insurance; Computer Software; and Financial/Banking Services. Going forward, SPSA will continue evaluating the use of third-parties where it identifies potential reductions in costs and/or other efficiencies through such outsourced services.
- SPSA has not received any Public-Private Educational Facilities Infrastructure Act (“PPEA”) proposals since the Suffolk Energy Partners proposal regarding the purchase/sale of landfill gas (described below). However, Executive Staff recently updated SPSA’s own PPEA Guidelines to ensure compliance with the latest regulatory guidance, and the Board of Directors and Executive Staff will continue to accept and consider PPEA proposals as and when they are received.
- Consistent with other regulatory requirements, SPSA engages and will continue to engage outside expert services to evaluate and report, at least annually, on available

capacity at the Regional Landfill, including estimates as to the remaining “expected life” of the facility, taking into consideration -- and projecting -- future changes in the quantity of waste disposed of in its landfill.

- SPSA maintains records of its costs, revenue, debt and capital expenses by fiscal year for each operating program, as well as records of costs for each individual capital project. These records are maintained in accordance with customary business and accounting practices, and such financial records are reported on -- with relevant supporting information provided -- monthly during regular Board meetings. This detailed financial record-keeping also facilitates SPSA's preparation of reliable, accurate and balanced annual budgets, and will remain a fundamental aspect of SPSA administration at all times going forward.
- SPSA also maintains and will continue to maintain a detailed Financing Plan that includes a plan for the retirement of all outstanding debt and a plan for the funding of all planned capital projects. The Financing Plan is approved by the Board of Directors each year, including any funds designated for capital projects, and reports regarding SPSA's compliance with the Plan are and will continue to be provided to the Board on a regular basis. Similarly, the Debt Retirement Plan is approved each year by the Board as part of SPSA's annual budget. All Plans are and, to the extent appropriate, will continue to be reviewed annually by a certified public accounting firm as part of SPSA's annual financial audit.
- In addition to its financial audits, SPSA may also from time to time, where circumstances warrant or where Executive Staff or the Board of Directors otherwise deem it appropriate or beneficial to the organization, conduct independent performance audits with respect to its operations.
- Contrary to SPSA policy for much of its existence before 2010, under current Board and Executive Staff leadership SPSA has not issued any debt whatsoever and, moreover, current policy favors avoiding new debt in favor of a “pay-as-you-go” practice for even its most significant capital improvements. Furthermore, consistent with applicable law, SPSA has implemented and will continually maintain in effect appropriate policies to (i) prohibit the issuance of long-term bond indebtedness to fund operational expenses and (ii) require that, prior to issuance of new debt, the Board of Directors perform a due diligence investigation regarding the appropriateness of issuing the debt, including an analysis of the costs of repaying the debt, which would then be certified by an external certified public accountant, reviewed by the Board and, finally, subjected to a vote requiring a minimum approval of seventy-five percent (75%) of the Board of Directors.
- SPSA strives to maintain its operations through staffing that reliably provides SPSA services to the Member Localities, and other users of the Disposal System, with the lowest “headcount” reasonably possible in light of its obligations. Personnel and staffing needs are evaluated constantly and changes are and will continue to be made promptly as and when circumstances require.

- SPSA has embraced the guiding principle of openness and transparency in its operations and management. Executive Staff and legal counsel update the Board of Directors and, where appropriate, the Member Localities on at least a monthly basis with regard to all material developments, whether in operations, relations with the Members themselves and/or with vendors and other customers, such as the United States Navy. Where an issue arises in any of these relationships, Executive Staff, the Board and counsel thoughtfully evaluate the range of possible solutions, as well as the applicable costs and other implications of the situation, before arriving at a decision on how to best address the matter. SPSA will continually endeavor to ensure that its Board is the most informed and involved governmental agency in the region.
- SPSA is well-positioned to monitor, evaluate and adapt to changes in the waste-disposal industry, and regularly seeks and will continue to request external, expert guidance on emerging technologies and other relevant developments in its field, with the enduring goal of maintaining state-of-the-art, efficient and effective operations in performing its services to the Member Localities and otherwise carrying out its mission.
- As noted above, SPSA's core purpose is management of safe and environmentally sound disposal of regional waste, and SPSA devotes the majority of its time and effort to activities associated with its purpose. Of course, to the extent not inconsistent with that core purpose, SPSA may from time to time consider implementation and performance of additional waste disposal services, beyond its core function of disposal of regional waste, where circumstances warrant. (For example, yard debris disposal and recycling are examples of services that SPSA has provided for its members in the past, and these and other "ancillary" services may in fact be worthy endeavors in the future.) However, before implementing any such additional waste disposal services, Executive Staff and the Board of Directors will undertake a detailed and thorough evaluation -- including accounting and financial diligence -- to ensure cost-effectiveness, as well as operational review to confirm SPSA's ability to efficiently and effectively provide such services. Any "non-core" services would likely require separate contracts to ensure all parties' interests are adequately protected, and ultimately Board approval would be required for SPSA to undertake any activities not associated with its primary role.
- Finally to reiterate a principal tenant of SPSA's governance, its first responsibility is to satisfy the waste-disposal needs of its Member Localities by providing the highest quality of services at the lowest reasonable cost. However, to the extent not inconsistent with or adverse to its obligations to SPSA members, SPSA will provide services to Commercial Waste and other non-municipal customers. Such services will not under any circumstances subordinate SPSA's commitment to its members, nor will the Disposal System Fees paid by the Member Localities "subsidize" artificially low rates for such Commercial Waste and other customers. Instead, to the extent undertaken, SPSA would strive to provide Commercial Waste customers and other customers with the same quality services as its members enjoy at commercially reasonable rates, which should not only benefit SPSA and such other Commercial

Waste customers but also the Member Localities by alleviating waste disposal burdens and obligations which the members might otherwise be required to manage. The definition of "Commercial Waste" and SPSA's obligations with respect thereto are included in the "Commercial Waste Guidelines" set forth below in this Strategic Operation Plan.

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### 3.0 ORGANIZATIONAL STRUCTURE

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SPSA is managed by a 16-member Board of Directors, composed of eight (8) members appointed by the Governor of Virginia and eight (8) "ex-officio" members employed and appointed by each of the Member Localities. The Board of Directors, in turn, appoints an Executive Director responsible for the direct hire and supervision of all other SPSA employees, in addition to the day-to-day operations of the Authority.

SPSA is organized under five (5) distinct divisions:

1. Administrative Division: SPSA's Administrative Division supports the entire Disposal System. It includes the Executive Office, Human Resources, Accounting, Purchasing, Information Technology, the Regional Office Building and a Safety Department.
2. Fleet Maintenance Division: The Fleet Maintenance Division provides preventive maintenance and repairs to approximately 245 pieces of rolling stock equipment utilized by SPSA in its operations. SPSA currently operates two maintenance facilities: (i) one large 14-bay facility located at the Operations Center on Victory Boulevard in Portsmouth and (ii) one 2-bay facility located at the Regional Landfill in Suffolk. The majority of the equipment is serviced and repaired at the Portsmouth facility. The types of equipment include track dozers and excavators, compactors, articulating dump trucks, wheeled loaders, skid steers, Class 8 tractors, Class 6 vehicles, trailers, pickup trucks and a variety of smaller construction equipment.
3. Regional Landfill Division: The Regional Landfill Division consists of landfill operation, environmental management and the tire shredder operation.

- a. Landfill Operation

The Regional Landfill is located on an 833-acre parcel off the merged US Routes 58, 13 and 460 in Suffolk, Virginia (mailing address is 1 Bob Foeller Drive). Facilities at the Regional Landfill include but are not limited to:

- Closed landfill Cells I through IV – 106 disposal acres
- Active landfill Cells V and VI – 43.8 and 41.3 disposal acres respectively
- Cell VII permitted expansion area – 54.2 disposal acres
- Unpermitted potential expansion area – 264.6 disposal acres
- Scale facility (also serves the Delivery Point for the Suffolk transfer station)
- Operations and vehicle maintenance building
- Household hazardous waste collection center
- Tire shredder

Soils management facility (Clearfield MMG, tenant)  
Gas to energy plant (Suffolk Energy Partners, LLC, contractor and operator)

Currently, the Regional Landfill accepts only Construction and Demolition Debris (CDD), ash residue from the Wheelabrator WTE Facilities (discussed below), Non-Processible Waste not accepted at any Disposal System Delivery Point, gray soils and clean fill. Disaster Waste is not accepted.

As noted above in its "Guiding Principles", SPSA evaluates the capacity of the Regional Landfill annually, taking into consideration and projecting future changes in the quantity of waste disposed of in the landfill.

The Regional Landfill also manages and maintains a "landfill gas recovery system", which began full operation November 17, 1994. The system includes gas collection wells strategically located throughout Cells I – VI. In addition to the gas collection wells, the system includes gas collection piping, a flare system, condensate drains, a 3.2 MW power plant using four internal combustion engines and 2.3 miles of pipeline to sell gas to BASF. Landfill gas not supplied to BASF is used to generate electricity and some is flared if and when it is not otherwise able to be utilized. The landfill gas collection system is currently operated and maintained by Suffolk Energy Partners, pursuant to contract that continues through 2031.

b. Environmental Management Department:

The environmental management department is responsible for compliance matters throughout the SPSA organization. The department manages permits issued to SPSA and its facilities by the Virginia Department of Environmental Quality (DEQ), Hampton Roads Sanitation District (HRSD), the Virginia Department of Public Health and underground storage tank compliance at several facilities (each facility within the Disposal System maintains at least one permit, and the Regional Landfill is regulated by four permits). To ensure compliance, the environmental department conducts regular inspections at facilities and training of SPSA personnel. In addition, environmental staff manages the Environmental Management System (EMS). The EMS program consists of a multitude of documentation, training, and audit requirements throughout the organization. Lastly, environmental staff also conducts field monitoring for ground water, gas, drinking water, effluent and random load inspections designed to ensure permit compliance.

This department is also responsible for the Household Hazardous Waste (HHW) and White Goods (metal recycling) programs maintained by SPSA

i. Household Hazardous Waste:

SPSA operates three HHW collection facilities. The HHW collection facility at the Regional Landfill in Suffolk is open full time, Monday through Friday, and a half-day Saturday. The remaining two facilities are open based upon a monthly recurring schedule. Additionally, from time to time, SPSA assists the Member Localities with special

HHW collection events. Residents from all Member Localities may bring unwanted HHW to any of these HHW facilities to be disposed of safely, free of charge; however, the resident's applicable Member Locality is charged a Disposal System Fee for its residents' use of the HHW facilities. Commercial HHW is NOT accepted at any HHW facility maintained by SPSA; instead, HHW generated commercially must be disposed of using a commercial waste disposal company.

ii. *White Goods:*

White goods or other metal-containing waste are collected at the Regional Landfill and are recycled with a local metal recycling company, and SPSA receives the then-current scrap metal price for the metal that is collected. Also, environmental staff is licensed to recover refrigerant from any applicable device received in the White Goods program.

- c. *Tire Shredder Department:* SPSA's tire-shredding operations commenced in 1988 at the Regional Landfill, where residents of the Member Localities can dispose of automobile tires by bringing them to tire-shredder operations facility. SPSA employees de-rim tires on site and recycle the rims, and tires are then processed through the tire shredder. The finished product is used as supplemental daily landfill cover, and is also used in drainage projects, pipe substrate and to repair leachate seeps.

4. Delivery Point Division: The Delivery Point Division consists of transfer station operations and the scalehouse operations.

a. *Transfer Station Operations:*

- i. *Boykins* - The station was opened in 1985 and consists of an elevated area where customers can deposit waste into a stationary compactor or two open-top roll-off containers. The station is permitted to accept 50 tons per day and is manned by Southampton County and serviced by SPSA. SPSA is responsible for dumping the containers and maintaining the facility equipment, buildings and grounds. The facility has one 40-yard compactor and two 40-yard open top containers for residential and municipal disposal. SPSA owns the improvements on the land at this transfer station, which is leased from a private citizen pursuant to a lease that expires March 31, 2025.
- ii. *Chesapeake Transfer Station* - This transfer station was built in 1984 and is located on a 4.75 acre parcel of land west of Greenbrier Parkway in the City of Chesapeake. The transfer station utilizes a bi-level, non-compacted, direct dump design consisting of one refuse hopper and a tipping area on the upper level and a "load out" area on the lower level. The facility has a maximum design capacity of 500 tons per day with a storage capacity of up to 150 tons at any given time.



SPSA owns the improvements on the land at this transfer station, which is leased from the City of Chesapeake pursuant to a lease arrangement that continues until May 31, 2016.

- iii. *Franklin Transfer Station* - This station was opened in 1985 and consists of an open tipping floor area screened with a fabric chain link fence and a prefabricated office building. Waste is dumped into the single hopper directly into open top transfer trailers and currently hauled to a non-SPSA landfill by a Wheelabrator contractor. The facility is permitted for 150 tons per day and capable of storing 50 tons at any one time. The station utilizes a drop and hook operation. SPSA owns the Franklin transfer station, including all land and improvements.
- iv. *Isle of Wight Transfer Station* - This station was opened in 1985 and consists of a push-wall transfer station with a three-sided metal building superstructure. Transfer trailers travel on a loading lane situated at a lower grade than the tipping floor so that the sides of the trailers are approximately 4 feet above the tipping floor, and a front-end loader lifts waste into the transfer trailers and which are then currently hauled to a non-SPSA landfill by a Wheelabrator contractor. The station is permitted for 150 tons per day, capable of storing 50 tons at any one time, and utilizes a drop and hook operation. SPSA owns the improvements on the land at this transfer station, which is leased from Isle of Wight County pursuant to a lease that expires on January 24, 2018.
- v. *Ivor Transfer Station* - This station was opened in 1985 and consists of an elevated area where customers can deposit waste into a stationary compactor or two open-top roll-off containers. The station is permitted to accept 30 tons per day and is manned by Southampton County and serviced by SPSA. SPSA is responsible for emptying the containers and maintaining the facility equipment, buildings and grounds. The facility has one 40-yard compactor and two 40-yard open top containers for residential and municipal dumping. SPSA owns the Ivor transfer station, including all land and improvements.
- vi. *Landstown Transfer Station* - This station opened in January 1993 and consists of an enclosed tipping floor with three hoppers for loading. The station operates 24 hours per day, with the exception of Sunday, and is permitted to accept 1500 tons per day. Waste is collected and stored on the tipping floor throughout the day then hauled at night. SPSA owns the improvements on the land, which is leased to SPSA by the City of Virginia Beach. The current lease expires December 30, 2017, though SPSA has a unilateral right to extend the lease for an additional 30 years by providing the City with 30 days' notice.

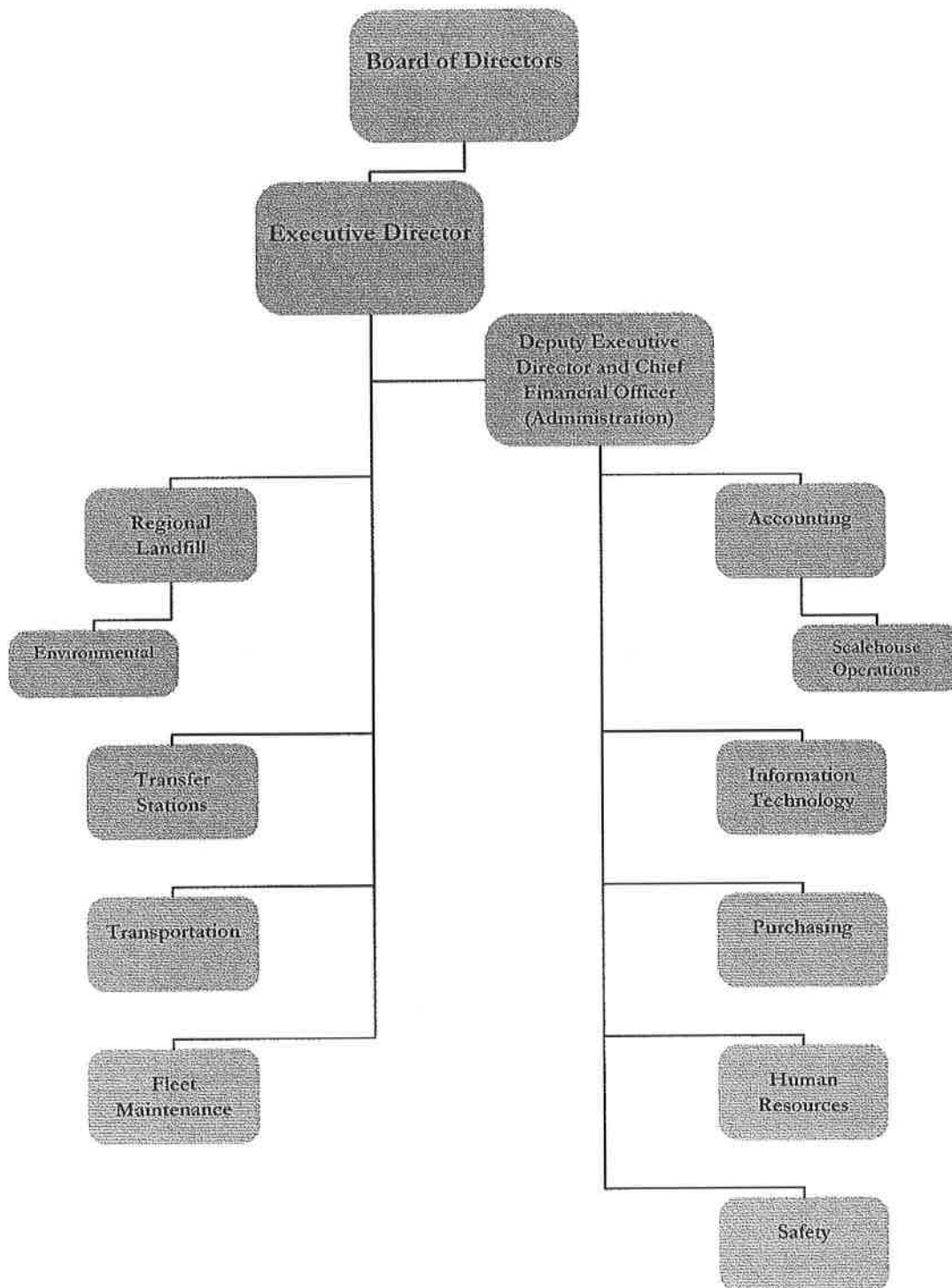
- vii. *Norfolk Transfer Station* - This station opened in 1985 and consists of an enclosed tipping floor with three hoppers for loading. The station operates 24 hours per day Monday through Saturday, and half a day on Sunday, and is permitted to accept 1300 tons per day. Residents may use the station only from Noon to 4:00 p.m. on Saturday and Sunday, and the City of Norfolk pays the cost to operate the facility during these hours. Waste is collected and stored on the tipping floor throughout the day then hauled at night. SPSA owns the Norfolk transfer station, including all land and improvements.
- viii. *Oceana Transfer Station* - This station was built by the City of Virginia Beach and opened in 1982. In 1987, SPSA bought the station facility for \$1,000,000, but still leases the land -- which is owned by the Virginia Department of Transportation (VDOT) -- and pays rent of \$1.00 per year under the lease. SPSA operates the station pursuant to its lease with VDOT (technically a "permit"), which can be terminated by VDOT upon 30 days' notice to SPSA. The station has a design capacity of 500 tons per day, with the capability of storing 450 tons at any one time. The station utilizes a drop-and-hook system, which allows waste on the floor to be removed and placed in staged trailers for hauling at a later time. The station does not accept waste from residential customers.
- ix. *Suffolk Transfer Station* - This station, built in 2005, is located near the entrance to the Regional Landfill and consists of an enclosed tipping floor with two hoppers for loading. The station is permitted to accept 1300 tons per day. SPSA owns the Suffolk transfer station, including all land and improvements.
- b. *Scalehouse Operations:* SPSA's scalehouse operation is responsible for ensuring the accurate measurement of (i) solid waste flowing through SPSA's transfer stations to the Regional Landfill and the WTE Facilities in Portsmouth (the current Designated Disposal Mechanism) and (ii) the revenue generated from the disposal of waste. Scale attendants man scalehouses at the Chesapeake, Landstown, Norfolk, Oceana and Regional Landfill transfer stations and at the WTE Facilities in Portsmouth. The scalehouses in Franklin and Isle of Wight are manned by transfer station staff.

SPSA's scale attendants operate the scale recording devices to capture truck weights and process transactions, including truck information, customer account information, type of waste and associated tipping fee rate, methods of payment and credit card processing. These transactions are uploaded into SPSA's accounting software for subsequent billing of SPSA's customers. This data is also currently transmitted to Wheelabrator on a daily basis for their own use in billing Wheelabrator customers, such as private/commercial haulers.

Scale attendants also handle phone calls to the various transfer stations as well as face-to-face interactions with the Member Localities, residents and private haulers to ensure that only solid waste meeting SPSA's standards is accepted for disposal at SPSA facilities.

5. Transportation Division: The Transportation Division is currently responsible for conducting hauling operations transferring processible waste from the transfer stations to the WTE Facilities owned and operated by Wheelabrator. In addition to transporting waste from the transfer stations, the transportation division staff operates roll-off trucks, a tanker and a low-boy trailer, and also hauls leachate from various transfer stations and sludge from the City of Norfolk's Water Treatment Plant to the Regional Landfill.

SPSA's Organizational Chart is illustrated as follows:



## 4.0 OPERATION AND USE OF FACILITIES

### 1. General

The right to dispose of Solid Waste (excluding Hazardous Waste and certain other Excluded Waste, such as Disaster Waste) at the Delivery Points designated herein is available to any and all persons, corporations and governmental agencies without exclusion under the terms and conditions of this SOP. Use of these facilities, however, is at all times governed by rules and regulations as are adopted by SPSA from time to time and incorporated into this SOP. Member Localities and private haulers must register their respective vehicles with SPSA, including tare weights, prior to use.

In addition, operating hours may be varied from time to time by SPSA to accommodate special circumstances. Notices will be posted at the main entrance of each Delivery Point advising users of regular operating hours and any special operating hours, as well as observed holidays.

### 2. Delivery Points and Receiving Times

Location	Monday – Friday	Saturday
Chesapeake Transfer Station 901 Hollowell Lane Chesapeake, VA 23320	7 am – 3 pm	7 am – 12 pm
Franklin Transfer Station 30521 General Thomas Highway Franklin, VA 23851	8 am – 3 pm	8 am – 12 pm
Isle of Wight Transfer Station 13191 Foursquare Road Smithfield, VA 23430	8 am – 3 pm	8 am – 12 pm
Landstown Transfer Station 1825 Concert Drive Virginia Beach, VA 23453	5 am – 5 pm	7 am – 12 pm
Norfolk Transfer Station 3136 Woodlake Avenue Norfolk, VA 23504	5 am – 5 pm	7 am – 12 pm
Oceana Transfer Station 2025 Virginia Beach Boulevard Virginia Beach, VA 23462	6 am – 3 pm	7 am – 12 pm
Suffolk Transfer Station Located at the Regional Landfill	7 am – 4 pm	7 am – 12 pm
Regional Landfill (including Tire Shredder) 1 Bob Foeller Drive Suffolk, VA 23434	Closed Mondays Tuesday – Friday: 7 am – 4 pm	Closed
HHW Collection (Regional Landfill) 1 Bob Foeller Drive Suffolk, VA 23434	8 am – 4 pm	8 am – 12 pm

Location	Days and Hours
Boykins Transfer Station 18448 General Thomas Highway Boykins, VA 23827	Tuesday, Thursday, Saturday: 7 am – 7 pm Monday, Wednesday, Friday: Closed
Ivor Transfer Station 36439 General Mahone Blvd. Ivor, VA 23866	Wednesday, Friday, Sunday: 7 am – 7 pm Monday, Tuesday, Thursday, Saturday: Closed
WTE Facilities 2 Victory Blvd. Portsmouth, VA 23702	Monday 3 am – Saturday Noon

Any changes to the receiving times for these Delivery Points, whether due to policy changes, weather or modifications to the Holiday Schedule described below, or for any other reason, absent emergency, are coordinated with the Member Localities as well as applicable vendors.

### 3. Holiday Schedule

SPSA's current holiday schedule is as follows:

New Year's Day	January 1st
Lee-Jackson Day*	Friday preceding the 3 <sup>rd</sup> Monday in January
Martin Luther King, Jr. Day*	Third Monday in January
President's Day *	Third Monday in February
Memorial Day*	Last Monday in May
Independence Day	July 4th
Labor Day*	First Monday in September
Columbus Day*	Second Monday in October
Veteran's Day*	November 11th
Thanksgiving Day	Fourth Thursday in November
FRI following Thanksgiving Day*	Fourth Friday in November
Christmas Day	December 25th

If any of New Year's Day, Independence Day, Veteran's Day, Christmas Eve or Christmas Day Falls on a Sunday, when a facility is otherwise closed, then the applicable holiday is observed on the date designated for its observation as a holiday by the Federal Government. For those holidays marked above with an asterisk (\*), all SPSA transfer stations will operate under the schedule for Saturday hours -- i.e. they will be open for one-half day (either 7 am - Noon or 8 am -- Noon) under receiving hours listed above.

### 4. "Extra" Charges to Member Localities

SPSA charges each Member Locality at an hourly rate to the extent the Member requests to extend a transfer station's normal receiving time. The hourly rate is calculated each fiscal year and includes the full cost to SPSA for extending hours past its normal receiving time, including the time necessary to haul the waste to the proper disposal point.

5. Units of Measure

Each Delivery Point is equipped with vehicular scales. All vehicles, except those of residential users, are weighed with the driver aboard upon arrival. All departing vehicles are then weighed a second time, unless the vehicle tare weights are known. Disposal System Fees (tipping fees), in turn, are charged based upon the difference between the arrival and departure weights. If the scales at the receiving location are inoperative, the fee is based on the average amount received per vehicle when dumping records for such vehicle for the twelve (12) full months immediately preceding are available or, when such records are not available, the fee is based on the average amount received per vehicle of like size and/or compaction ratio.

The driver of each vehicle is given a statement after each load of Solid Waste is dumped, and each such statement reflects the weight of the waste dumped, the applicable date, time and Delivery Point, and the applicable Disposal System Fee.

In addition, SPSA may designate grades or categories of Solid Waste that will be measured upon receipt by SPSA by number of units or by means other than by weight.

6. Right to Reject Waste

SPSA accepts most non-hazardous Solid Waste within the Disposal System, subject to the other terms and conditions of this SOP, including, but not limited to, SPSA's exclusion of Disaster Waste from the Disposal System (see SPSA's Role in a Storm Event under Section 8.0 below). SPSA also retains the right to refuse to accept waste from users who have failed to pay any applicable Disposal System Fees.

All reasonable attempts are made to reject unacceptable waste before it is received within the Disposal System. However, if grades or categories of waste are disposed of at a Delivery Point that is not designated for the receipt of such waste, it is the responsibility of the user to remove such material at its own expense. Any such material not promptly removed by the user may be removed by SPSA, and the costs for such removal are then charged against the user.

7. Traffic Guidelines

Each of the Delivery Points is expected to handle a large number of vehicles. Traffic control at each location is at the sole discretion of SPSA.

8. Residential Waste Guidelines

Residents of the Member Localities are not charged for disposal of their household waste. However, starting in January 2018, the residents' applicable Member Localities will be charged Disposal System Fees for residential disposal of household waste within the SPSA Disposal System; provided, the foregoing policy of charging the Member Localities for their residents' disposal of household waste shall not apply at the Delivery Points in Boykins and Ivor, which serve residents of Southampton County.

Residents may dispose of their household waste during operating hours at each authorized Delivery Point (with the exception of the Norfolk Transfer Station, which permits free disposal to Norfolk

residents only on Saturdays between the hours of 7 a.m. and 4 p.m. and Sundays between the hours of Noon and 4 p.m.), but only if the following conditions are met.

- a. Proof of residency (for example, a driver's license or a utility bill).
- b. All household waste, bagged or un-bagged, including furniture, mattresses and small appliances that have a freon-free certification sticker (if applicable) are acceptable.
- c. Yard Waste is acceptable; however, limbs, branches and brush must be less than six feet in length and not greater than 6 inches in diameter.
- d. Disaster Waste may not be delivered to, and will not be accepted by SPSA at, any Delivery Point within the Disposal System (see SPSA's Role in a Storm Event under Section 8.0 below).
- e. Solid Waste that is authorized to be delivered by residents must be delivered in one of the following "private vehicles":
  - i. Automobiles, station wagons, passenger vans with under 15 seats, sport utility vehicles, low- sided pickup trucks (350 size or smaller) and similar vehicles that are unmarked and unmodified (by way of example, but not limitation, vehicles without business decals/markings or equipment racks, such as pipe or ladder racks or similar modifications).
  - ii. Utility trailers, up to eight feet in length, with no visible tools and/or equipment, that are being towed by one of the above-mentioned private vehicles.

These Residential Waste Disposal Guidelines are designed to ensure that residents of the SPSA's Member Localities are entitled to the safe and efficient disposal of their residential Solid Waste. Residents must adhere to all SPSA guidelines, policies and procedures while utilizing the SPSA Disposal System, and failure to do so may result in loss of access to SPSA's facilities.

#### 9. Commercial Waste Guidelines

For purposes hereof, "Commercial Waste" is generally defined as Solid Waste that is generated by non-municipal users, such as businesses, industries and multi-family residential properties that are not serviced by municipal collections programs, that does not otherwise constitute Municipal Solid Waste hereunder.

Currently, SPSA utilizes its Disposal System to assist in the management and disposal of Commercial Waste pursuant to its Service Agreement with Wheelabrator Technologies, which is described in greater detail below. When the Wheelabrator agreement expires in January 2018, SPSA will transition to a new mechanism whereby it will assist in the management and disposal of Commercial Waste through its Disposal System in accordance with the general guidelines set forth in this SOP (as further described in the following paragraph) and with more specific operating policies and procedures to be established, and approved by the SPSA Board of Directors, and implemented by SPSA's Executive Staff by no later than January 2018 and thereafter from time to time with, where applicable, Board input and/or approval ("Commercial Waste Operating Procedures").



More specifically, SPSA will receive and accept Commercial Waste at applicable Delivery Points within the Disposal System, and manage or assist in the management and disposal of Commercial Waste through the Disposal System, in each case in accordance with the terms of this Strategic Operating Plan (including, when and as applicable, the Commercial Waste Operating Procedures referenced herein). Commercial Waste customers will be offered access to and the ability to utilize the Delivery Points within the SPSA Disposal System generally, but not limited to, those that have sufficient capacity to ensure separation of Commercial Waste from Municipal Solid Waste, on such terms and conditions, including financial terms, provided for in the Commercial Waste Operating Procedures (the Delivery Points that have sufficient capacity to ensure separation of Commercial Waste from Municipal Solid Waste include the Landstown Transfer Station, the Norfolk Transfer Station, the Oceana Transfer Station and the Suffolk Transfer Station). The terms and conditions applicable to such Commercial Waste customers and set forth in the Commercial Waste Operating Procedures may vary based on, among other things, the (i) the amount (tonnage) of Commercial Waste delivered into the Disposal System by such customers; and (ii) the type and nature of the services provided by SPSA to such customers. Commercial Waste services will not subordinate SPSA's commitment to its Members Localities, nor will the Disposal System Fees paid by the Member Localities "subsidize" artificially low rates for Commercial Waste customers; however, SPSA will provide applicable Commercial Waste customers with the same quality services that SPSA members will enjoy, at appropriate Commercial Waste service rates no lower than service rates applicable to Member Localities for the same level of services provided with respect to their Municipal Solid Waste (it being acknowledged that service rates for Commercial Waste customers may be lower than service rates for Member Localities if and to the extent that SPSA provides Commercial Waste customers with less comprehensive services than the services provided by SPSA to Member Localities).

10. Maintenance and Development of Delivery Points (Transfer Stations) Post-2018

- a. Transfer Station Ownership/Control. SPSA will own or lease all Delivery Points included within the SPSA Disposal System as of January 24, 2018 and will be responsible for the operation and maintenance of these facilities in accordance with all applicable permits and related rules, regulations and other Applicable Law. If a Delivery Point is leased from a Member Locality (or other third party), then the duration and, to the extent reasonably practical, all other terms of all such leases will be identical unless otherwise specifically agreed by the Board of Directors of SPSA. In addition, any such lease of a Delivery Point from a given Member Locality shall, unless otherwise agreed in writing by the parties, terminate contemporaneously with the withdrawal of the applicable Member Locality from SPSA.
- b. Transfer Station Projects – Development Costs. The following provisions address any project involving the construction, renovation, relocation or expansion of a Delivery Point (each, a "Transfer Station Project").
  - i. Existing Delivery Points. If a given Transfer Station Project involves the renovation, relocation or expansion of an existing Delivery Point for purposes of maintaining, preserving or improving continued operations of such existing Delivery Point (each, an "Existing Delivery Point"), then (x) such Transfer Station Project in respect of the Existing Delivery Point shall be subject to the approval of SPSA's

Board of Directors, and (y) if such Transfer Station Project is duly and validly authorized and approved by the Board, then SPSA shall be responsible for all development costs associated such Transfer Station Project, including but not limited to all soft costs, construction and equipment costs and start-up costs, associated with the corresponding Existing Delivery Point. Notwithstanding anything herein to the contrary, however, if debt will be incurred by SPSA in connection with any such Transfer Station Project involving an Existing Delivery Point, the debt must be approved by the Board of Directors of the Authority in accordance with all requirements under Applicable Law before the project can commence.

- ii. *New Delivery Points.* If a given Transfer Station Project involves the construction, renovation, relocation or expansion of a Delivery Point for any reasons *other* than maintaining or improving continued operations of an Existing Delivery Point (each, a “New Delivery Point”), then (x) the applicable Member Locality shall first propose the Transfer Station Project for such New Delivery Point to SPSA’s Board of Directors, and (y) if such New Delivery Point will be operated and maintained by SPSA, then the Transfer Station Project shall be subject to the approval of SPSA’s Board of Directors. In any event, whether or not any such Transfer Station Project for a New Delivery Point requires approval from SPSA’s Board of Directors, the applicable Member Locality shall be solely responsible for all development costs associated with each and every Transfer Station Project for a New Delivery Point, including but not limited to all soft costs, construction and equipment costs and start-up costs , and any such development costs incurred by SPSA in connection with a Transfer Station Project for a New Delivery Point will be paid to SPSA no less often than monthly by the applicable Member Locality in accordance with a separate “Delivery Point Development Agreement” to be entered into by SPSA and such Member Locality. Notwithstanding the foregoing, however, if the SPSA Board of Directors agrees that a given New Delivery Point is in the best long-term financial interest of SPSA, even if not operationally necessary at that point, then upon approval of the Board of Directors, SPSA may enter into a cost-sharing agreement for development costs associated with the Transfer Station Project for such New Delivery Point, so long as (and to the extent that) the SPSA Board of Directors makes a determination that SPSA’s proposed share of the development costs will not exceed the net value of the New Delivery Point.
- c. *Transfer Station Projects – Operational Costs.* From and after the completion of each Transfer Station Project, SPSA shall be responsible for the annual operations and maintenance costs, including where applicable rental/lease and related costs, of (i) each Existing Delivery Point resulting from the Transfer Station Project; and (ii) each New Delivery Point resulting from the Transfer Station Project if (but only

if) SPSA and the Member Locality have agreed that such New Delivery Point will be operated and maintained by SPSA.

11. Out-of-Area Waste. Notwithstanding anything in this SOP to the contrary, SPSA shall not under any circumstances facilitate the importation of Out-of-Area Waste, or otherwise accept any Out-of-Area Waste, for (a) disposal in the Regional Landfill and/or (b) handling/processing/disposal at or by any other Delivery Point included within the Disposal System.

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## 5.0 DESIGNATED DISPOSAL MECHANISM; PLANNING HORIZON

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### 1. Designated Disposal Mechanism.

- a. Selection Process for Designated Disposal Mechanism. From time to time, as and when appropriate under the circumstances, and no less often than every seven (7) years, the SPSA Board of Directors (or a subcommittee thereof) and Executive Staff will undertake a comprehensive review of the Designated Disposal Mechanism then being utilized and, further, will assess its viability for future periods of time. While it is ultimately the responsibility of the SPSA Board of Directors to determine the best and most efficient Designated Disposal Mechanism for the Authority and its Member Localities (considering both process and economic factors), in so doing the Board will necessarily seek and consider the input of the Member Localities. (The Board of Directors may also solicit input/guidance from independent professionals in the field as well.) In connection with such review and consideration of the Designated Disposal Mechanism, in consultation with the Member Localities, the Board and Executive Staff may conclude that the Designated Disposal Mechanism then being utilized by SPSA is the most efficient and effective method of waste-disposal or, on the other hand, may determine that it is appropriate and in the best interests of SPSA and the Member Localities to explore alternative waste-disposal options, including (but not limited to) the issuance of one or more Requests for Proposal in accordance with Applicable Law, disposal of Municipal Solid Waste in the Regional Landfill or some other waste-disposal method/mechanism. Based on and following each such periodic review and assessment, Executive Staff will make a final recommendation for the Designated Disposal Mechanism for the applicable future period(s), and Executive Staff shall endeavor to make such recommendation so as to give the SPSA Board of Directors and the Member Localities as much time as is reasonably practicable under the circumstances to consider such recommendation and all relevant considerations. Following such recommendation and, where appropriate, solicitation of input from the Member Localities, SPSA will conduct a vote in accordance with Applicable Law seeking approval from its Board of Directors for the recommended Designated Disposal Mechanism, it being expressly acknowledged and agreed that the approval of any Designated Disposal Mechanism for the Authority is and shall be at the sole discretion of the Board. Notwithstanding the foregoing or anything else in this SOP to the contrary, however, (i) the Designated Disposal Mechanism may not

include any landfill constructed, operated or otherwise existing in the Northwest River Watershed (defined as the geographical areas lying within the boundaries delineated as such and specified as the “Northwest River Watershed” on Appendix B attached to this SOP), and (ii) SPSA shall not dispose of any Municipal Solid Waste (or other Solid Waste) in any landfill constructed, operated or otherwise existing in the Northwest River Watershed.

- b. Current Designated Disposal Mechanism. In 2010, SPSA sold its refuse-derived fuel plant (RDF) and power plant (collectively, the “WTE Facilities”) to Wheelabrator Technologies, Inc. (“Wheelabrator”), then an affiliate of Waste Management, Inc. (All of Wheelabrator’s operations were sold to Energy Capital Partners, a private equity group, in 2014.) In connection with the sale, SPSA and Wheelabrator executed a Service Agreement for solid waste disposal services, pursuant to which (i) SPSA must provide Wheelabrator with all waste received at each of its transfer stations, (ii) Wheelabrator must accept and process SPSA’s solid waste at the WTE Facilities, and (iii) SPSA pays Wheelabrator an annual fee for such services, subject to various offsets and credits.

More specifically, SPSA accepts municipal and commercial solid waste (excluding Hazardous Waste) at nine transfer stations. SPSA’s transfer station staff sorts the solid waste received into Processible Waste and Non-Processible Waste at five of its transfer stations. The Processible Waste is hauled by SPSA from the applicable transfer stations to the WTE Facilities. The Non-Processible Waste received at seven of the transfer stations is loaded into non-SPSA trailers by SPSA staff and hauled to a non-SPSA landfill by Wheelabrator. At Wheelabrator’s request and with SPSA’s approval, Processible Waste may be diverted directly from a SPSA transfer station and hauled by SPSA to the Regional Landfill, rather than the WTE Facilities, at Wheelabrator’s cost.

The Service Agreement with Wheelabrator continues through January 24, 2018 and, as such, the Wheelabrator arrangement represents SPSA’s current Designated Disposal Mechanism.

## 2. Planning Horizon.

SPSA prepares, through the use of an independent professional engineer, an annual airspace management report designed to assist in the management of the remaining airspace for the Regional Landfill.

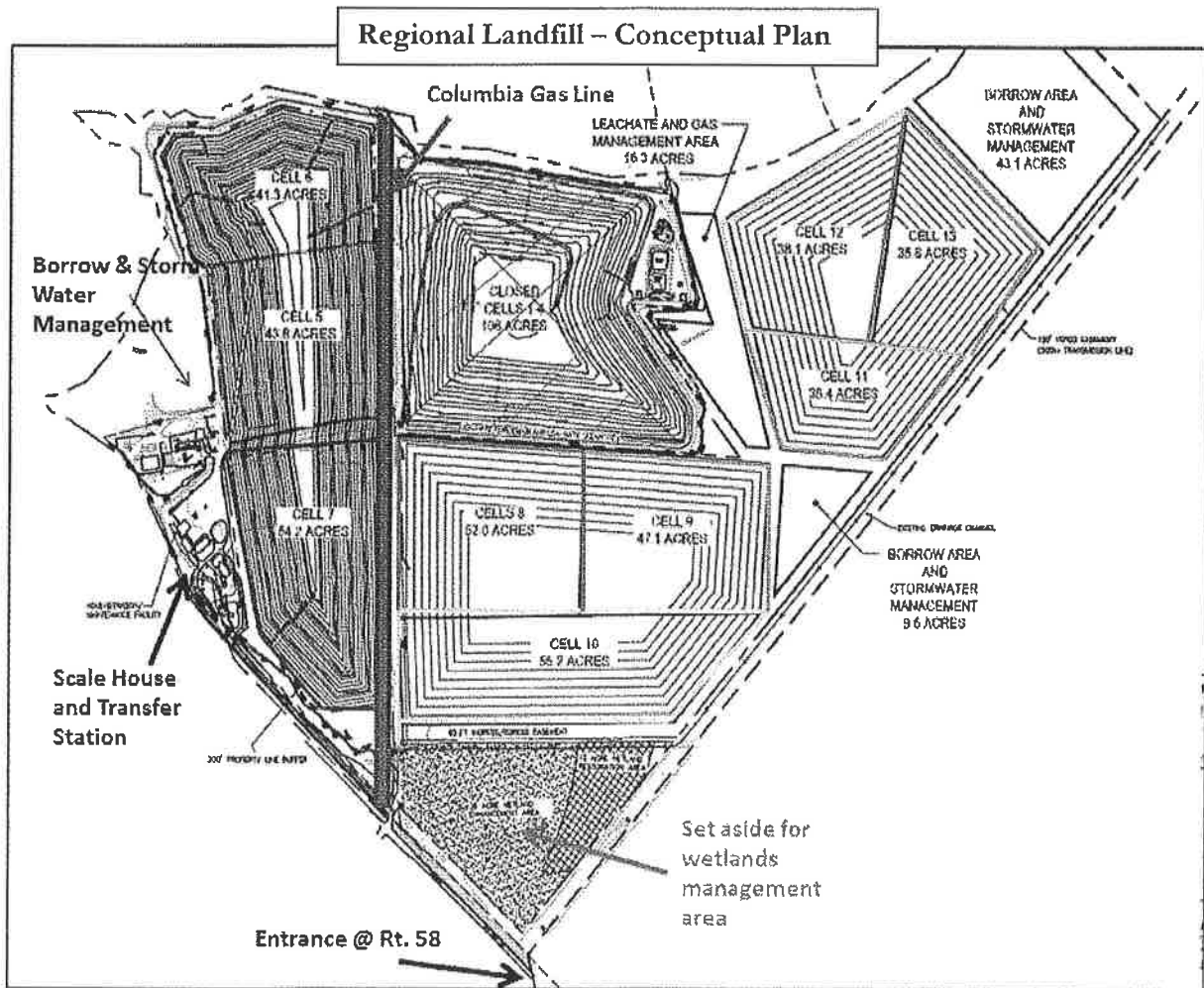
Based on the 2015 report and various assumptions, including annual Solid Waste disposal of approximately 268,345 tons per year, Cells 5 & 6 are currently projected to reach capacity in September 2031.

In addition to Cells 5 & 6, the Regional Landfill includes a 56-acre lateral expansion known as Cell 7. Cell 7 was approved by the Virginia Department of Environmental

Quality on June 8, 2011. The capacity of Cell 7 is approximately 10,800,000 cubic yards, or approximately 9 million tons of Solid Waste.

A conceptual plan has also been developed for the potential expansion of Cells 8 – 13, which would provide an additional 264-plus acres of potential expansion areas at the Regional Landfill. SPSA owns the applicable land; however, the additional cells have yet to be permitted. This additional capacity could provide enough capacity for the region for 100 plus years, based on the estimated annual Solid Waste tonnage noted above. Please see an illustration of the “Conceptual Plan” below.

SPSA will continue to monitor the capacity of the Regional Landfill based on, among other things, variations in tons disposed and other planned and unplanned events, and SPSA will in turn update/modify its management reports accordingly, again no less than annually.



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## 6.0 BASIS OF ACCOUNTING AND FINANCIAL REPORTING

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### 1. Basis of Accounting and Financial Reporting

SPSA's activities are accounted for in a manner similar to accounting methodologies utilized in the private sector, using the flow of economic resources measurement focus and the accrual basis of accounting. Assets, liabilities, net assets, revenues and expenses are accounted for through an enterprise fund, with revenues recorded when earned and expenses recorded when the corresponding liabilities are incurred.

Annual financial statements are prepared on the accrual basis of accounting. SPSA reports as a special purpose government entity engaged in business-type activities, as defined by the Governmental Accounting Standards Board (GASB). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

### 2. Annual Budget

SPSA's fiscal year is July 1 through June 30. The SPSA Board of Directors adopts an annual financial plan, or budget, reflecting projected revenues and expenses for the upcoming fiscal year and directs the Executive Director to implement the plan.

The annual budget is adopted as "balanced" on a cash basis, meaning that current revenues will equal current expenses; however, SPSA may use fund balances, or surplus cash, to fund capital expenses and equipment replacement. SPSA may amend or supplement its budget from time to time during the fiscal year, and the Executive Director is authorized to make transfers within the budget line items. Operating budgets lapse at fiscal year-end, with the exception of unfinished capital projects and encumbrances for purchases not received by June 30, which roll-over to the new fiscal year.

The annual budget also includes a five (5)-year projection of revenues, expenses and projected Disposal System Fees.

In accordance with the requirements of SPSA's existing debt covenants, (i) SPSA files a preliminary budget with its bond trustee on or before May 15 of each fiscal year, and (ii) SPSA files the final financial plan for the upcoming fiscal year, as adopted by SPSA's Board of Directors, on or before June 30. All SPSA debt is expected to be repaid in full by January 24, 2018.

### 3. Annual Audit

SPSA engages an independent certified public accountant to conduct an annual audit of its financial records and statements each year.

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## 7.0 RATES, FEES AND CHARGES FOR SOLID WASTE MANAGEMENT

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In accordance with the requirements of SPSA's existing debt covenants, the rates for fees and charges for solid waste disposal (i.e., Disposal System Fees) are currently fixed so that gross revenues minus operating expenses, or net revenues, are greater than or equal to (i) 1.2 times the annual debt service of senior debt and (ii) 1.1 times the sum of the annual debt service of senior debt plus senior subordinated debt. As noted above, all SPSA debt is expected to be repaid in full by January 24, 2018, after which time SPSA will have more flexibility with regard to its Disposal System Fees, subject to requirements of Applicable Law.

The Water and Waste Authority Act provides requirements/criteria that SPSA must follow when establishing its applicable Disposal System Fees. Specifically, Section 15.2-5136 states that "rates, fees and charges shall be so fixed and revised as to provide funds, with other funds available for such purposes, sufficient at all times (i) to pay the cost of maintaining, repairing and operating the system or systems, or facilities incident thereto, for which such bonds were issued, including reserves for such purposes and for replacement and depreciation and necessary extensions, (ii) to pay the principal of and the interest on the revenue bonds as they become due and reserves therefor, and (iii) to provide a margin of safety for making such payments." Accordingly, while SPSA may change (increase or decrease) its Disposal System Fees from time to time, (x) SPSA will at all times follow such statutory requirements in implementing any such changes in its Disposal System Fees and (y) any such changes may be implemented only after proper notice has been provided and, where required, public hearing on such changes have been held, all in accordance with Applicable law.

Invoices for Disposal System services are typically provided on a monthly basis, within ten (10) days after the end of each billing period, and unless otherwise specified by contract are due on or before the last business day of the month immediately following the month covered by the invoice, except to the extent any such invoices are subject to a good faith dispute. Each invoice provided by SPSA reflects the total tonnage of Solid Waste received by SPSA from the applicable user during the given billing period, together with such other information as SPSA deems appropriate or relevant. Past due account balances are considered delinquent and are subject to a finance charge of 18% annually. In addition, potential problem accounts or accounts that are in a continuous delinquent payment status may be placed in a credit hold status and the applicable customer/user may be denied access to the SPSA Disposal System until the account returns to current status and/or an arrangement with SPSA has been made to satisfy the past due balance. Delinquent accounts may also be referred to a collection agency or otherwise pursued through litigation.

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## 8.0 SPSA'S ROLE IN A STORM EVENT

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As described elsewhere in this SOP, SPSA does not accept Disaster Waste within the Disposal System. Instead, SPSA has historically served as the "procurement agent" for regional management of debris caused by hurricanes and other major storms/disasters (i.e., Disaster Waste). More specifically, SPSA acts as the representative of certain localities, including all SPSA Member Localities as well as the counties of Surry, Northampton, Accomack, Sussex and Greensville (the "Covered Localities"), in the procurement process.

In that role, SPSA issues an RFP for storm debris removal, reduction, disposal and monitoring/management services. A team comprised of personnel from certain participating

Covered Localities then evaluates companies who respond and selects several providers (the “Contractors”), and SPSA enters into “stand-by” agreements with each Contractor on behalf of the Covered Localities. Under the agreements, SPSA (i) receives a work request from a Covered Locality for debris removal, reduction and disposal and (ii) directs the request to the appropriate Contractor as a task order. After the initial task order, all service and payment arrangements are between the Covered Locality and the designated Contractor, without SPSA involvement.

This arrangement is known as “cooperative procurement” under the Virginia Public Procurement Act. A typical cooperative scenario would be in the form of a “piggy-back” arrangement, where one public body issues an RFP listing other public bodies who may participate. Then each of the public bodies, including the public body that issued the RFP, would have its own, separate contract for services with the terms as set forth in the RFP.

Here, however, SPSA enters into the ensuing agreements with the Contractors on behalf of the Covered Localities, but is not receiving any services from or making any payments to the Contractors, and the Localities do not execute individual agreements with the Contractors. (In short, SPSA is simply “administering” a cooperative procurement agreement.) Subsequent discussions between Covered Localities and the selected Contractor(s) for the amount and type of service provided are the sole responsibility of each Covered Localities, as are any arrangements for billing and payment for services rendered. The Covered Locality are also responsible for clearing, removal, separation and disposal of the majority of storm generated debris and other Disaster Waste, with the assistance of contractors and the use of temporary municipal processing and burning facilities.

The individual Covered Localities, and the region in general, benefit from this process: For instance, any disaster prompting Contractor action under the agreements would likely impact the region as a whole and not just one particular city or county; by acting on behalf of the region and its Covered Localities in the procurement process, SPSA is able to obtain more favorable pricing terms than any individual Covered Locality likely could on its own. SPSA is also familiar with and skilled in the procurement process for storm debris management generally, so all parties likewise benefit from the enhanced efficiencies associated with cooperative procurement.

In addition to its role as “procurement agent” for regional management of Disaster Waste, SPSA’s objectives in the event of a major disaster would be to: (1) coordinate suspension and resumption of services, internally and with Member Localities, (2) maintain essential internal support capabilities, such as communication, equipment and vehicle fueling, and equipment maintenance and repair, (3) suspend acceptance of household waste until system capabilities and community needs can be evaluated, and (4) resume normal operations as soon as conditions permit.

SPSA also reserves the right to temporarily suspend residential waste disposal prior to storm events if it is negatively impacting the ability to handle municipal and commercial waste.

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## **9.0 POLICIES AND PROCEDURES TO BE MAINTAINED**

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SPSA maintains, and shall maintain, the following documentation, policies and procedures in accordance with Applicable Law and regulations:



1. Strategic Operating Plan
2. Articles of Incorporation and Bylaws
3. Financial Policies
4. Procurement Policies and Procedures
5. Employee Policy Manual
6. Record Retention
7. Safety Policies and Procedures
8. Environmental Policies
9. Insurance Policies
10. Regional Landfill Operating Manual
11. Tire Shredder Operating Manual
12. Transfer Station Operating Manual
13. Emergency Operations Plan
14. Disaster Response Plan

The above documentation, policies and procedures are maintained at SPSA's headquarters, currently the Regional Office Building in Chesapeake, are incorporated into the SOP by this reference and are available for review and inspection by authorized representatives of all Member Localities.

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#### **10.0 REVISIONS TO STRATEGIC OPERATING PLAN**

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Revisions to this Strategic Operating Plan may be made at the sole discretion of SPSA to the extent approved by the SPSA Board of Directors in accordance with the terms hereof. More specifically, this Strategic Operating Plan shall be reviewed by the Board of Directors on at least an annual basis in connection with the Board's review and consideration of SPSA's annual operating budget, and at such other times as the Board may deem necessary or appropriate. If deemed necessary or appropriate after any such review, this Strategic Operating Plan may be updated or otherwise modified by the SPSA Board of Directors, and any such updated/modified Strategic Operating Plan shall be in complete replacement of this any and all other prior Strategic Operating Plans. Notwithstanding anything to the contrary in the foregoing, no update, amendment or modification of this Strategic Operating Plan, or any provision hereof, shall be valid unless such update, amendment or modification has been authorized by a resolution approved by at least seventy-five percent (75%) of the Board of Directors of SPSA.

[END]

## APPENDIX A

### Definitions

Applicable Law – Collectively, the Virginia Water and Waste Authorities Act, the Virginia Waste Management Act (as amended by Section 15.2-5102.1 of the Code of Virginia, sometimes referred to as the “Cosgrove Act”), the Virginia Solid Waste Management Regulations (currently Chapter 81 of the Virginia Administrative Code), the Virginia Hazardous Waste Management Regulations (currently Chapter 60 of the Virginia Administrative Code), the Resource Conservation and Recovery Act and any other federal, state or local law, rule, regulation, ordinance, permit, decree or other governmental requirement that applies to the services or obligations under this SOP, whether now or hereafter in effect, and each as may be amended from time to time.

Construction and Demolition Debris – Any Solid Waste that is produced or generated during or in connection with the construction, remodeling, repair and/or destruction or demolition of residential or commercial buildings, municipal buildings, roadways and other municipal structures, and other structures, including, but not limited to, lumber, wire, sheetrock, brick, shingles, glass, asphalt and concrete.

Delivery Point – Each facility and location owned or operated by the Authority, or by a third party that is subject to a contract with the Authority in respect of the Disposal System, that (a) possesses all permits required under Applicable Law to receive Solid Waste for disposal and (b) is designated by the Authority from time to time herein to accept Municipal Solid Waste from the Member Localities for further and final processing and disposal by or on behalf of the Authority (certain Delivery Points may sometimes be referred to as “transfer stations”).

Designated Disposal Mechanism – The method (or methods) utilized by the Authority for final disposal of Municipal Solid Waste under this SOP, as designated by the Board of Directors of the Authority from time to time in accordance with the express terms hereof and set forth herein. The Designated Disposal Mechanism may include, among other methods, (a) disposal of Municipal Solid Waste in the Regional Landfill in accordance with Applicable Law, (b) disposal of Municipal Solid Waste through one or more facilities owned and/or operated by the Authority in accordance with Applicable Law and/or (c) disposal of Municipal Solid Waste pursuant to agreements between the Authority and one or more third parties.

Disaster Waste – Any Solid Waste and debris that (a) is generated as a result of or in connection with any significant storm or other severe weather occurrence (such as, but not limited to, hurricanes and tornadoes), natural or man-made disaster, war, act of terrorism or other similar occurrence, together with Solid Waste and debris generated in connection with clean-up and/or reconstruction activities resulting from any such occurrences or events, and (b) is of a quantity or type materially different from the Solid Waste normally generated by or within the Member Locality.

Disposal System – All facilities and/or locations owned or leased by the Authority, or with respect to which the Authority otherwise maintains a contractual/commercial relationship, for the collection, management, processing and/or disposal of Solid Waste, including, but not necessarily limited to, the Regional Landfill, all Delivery Points and the Designated Disposal Mechanism(s), together with all equipment and vehicles owned or leased by the Authority and used in connection with the collection, management, processing and/or disposal of Solid Waste.

Disposal System Fees – Rates, fees and other charges imposed by the Authority for the collection, management, processing and/or disposal of Solid Waste within the Disposal System, as determined by the Board of Directors of the Authority from time to time in accordance with the Virginia Water and Waste Authorities Act (certain Disposal System Fees may sometimes be referred to as “tipping fees”).

Hazardous Waste – Any waste or other material that because of its quantity, concentration or physical, chemical or infectious characteristics may (a) cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness; or (b) pose a substantial present or potential hazard to human health, the Disposal System or the environment when treated, stored, transported, disposed of or otherwise managed. Hazardous Waste specifically includes, but is not necessarily limited to, any waste classified as “hazardous” under the Resource Conservation and Recovery Act, the Virginia Hazardous Waste Management Regulations or any other Applicable Law.

Household Hazardous Waste – Surplus or excess household products that contain corrosive, toxic, ignitable or reactive ingredients, including, but not necessarily limited to, cleaning products, old paints and paint-related products, pesticides, pool chemicals, drain cleaners and degreasers and other car-care products.

Municipal Solid Waste – All Solid Waste the collection of which is controlled by the Member Locality, including (a) Solid Waste that is generated anywhere within the SPSA Service Area and collected by the Member Locality, and (b) residential Solid Waste that is generated anywhere within the SPSA Service Area and collected by a third party for the benefit of (and under the direction and control of) the Member Locality. Municipal Solid Waste expressly excludes the following (collectively referred to herein as “Excluded Waste”): (i) Hazardous Waste and Household Hazardous Waste, (ii) Recyclable Waste, (iii) Yard Waste, (iv) Construction and Demolition Debris, (v) Disaster Waste, (vi) Solid Waste delivered by citizens of the Member Locality to publicly-accessible landfills or other facilities and disposed of at such facilities, (vii) any Solid Waste generated by school boards, authorities or other political entities of the Member Locality (except to the extent (but only to the extent) that any such Solid Waste is actually collected by the Member Locality itself) and (viii) Out-of-Area Waste.

Non-Processible Waste (NPSW) - All Solid Waste, other than Hazardous Waste, that could impair the operation or capacity of the Applicable Disposal Mechanism(s), at SPSA’s sole discretion, or cause potential or actual injury to SPSA’s employees and/or contractors, but which is capable of being disposed of by sanitary landfill, including but without being limited to metal cable, gypsum board, bricks and blocks, dirt, liquid wastes including sludge from water and waste water treatment plants, tree stumps, logs or other material larger than six (6) inches in diameter and/or six (6) feet long.

Out-of-Area Waste – Any Solid Waste that is created or generated outside of, or originates outside of, the SPSA Service Area.

Processible Solid Waste (PSW) – Any Solid Waste other than Hazardous Waste or non-processible waste, including especially material having energy value but currently being discarded without recovery of such energy value.

Recyclable Waste – Any Solid Waste that, pursuant to Virginia’s Solid Waste Management Regulations (or other relevant Applicable Law) in effect from time to time, or pursuant to prevailing commercial practices in the waste management industry at the applicable time, (a) can be used or reused, modified for use or reuse, or prepared for beneficial use or reuse as an ingredient in an industrial process to make a product or as an effective substitute for a commercial product, or (b) is otherwise processible (or reprocessable) to recover a usable product or is regenerable to another usable form, in each case, however, expressly excluding “residual” Solid Waste generated in connection with any such modification, preparation and/or processing for use, reuse, recovery and/or regeneration of other Solid Waste to the extent that such “residuals” cannot be categorized as “Recyclable Waste” in accordance with the foregoing.

Regional Landfill – The landfill located in the City of Suffolk, Virginia, developed, owned and operated by the Authority for the disposal of Solid Waste, or any additional or successor landfill developed, owned and operated by the Authority.

Solid Waste – Any garbage, refuse, sludge, debris and other discarded material, including solid, liquid, semisolid or contained gaseous material, resulting from industrial, commercial, mining and agricultural operations, or residential/community activities, excluding (a) solid or dissolved material in domestic sewage, (b) solid or dissolved material in irrigation return flows or in industrial discharges that are sources subject to a permit from the State Water Control Board and (c) source, special nuclear, or by-product material as defined by the Federal Atomic Energy Act of 1954, as amended; provided, the waste that constitutes Solid Waste hereunder (and/or is excluded from the definition of Solid Waste hereunder) shall be subject to change from time to time to the extent necessary or appropriate under the Virginia Waste Management Act or other Applicable Law.

SPSA Service Area – The geographic area covered by the political subdivision boundaries of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach, Virginia and the counties of Isle of Wight and Southampton, Virginia.

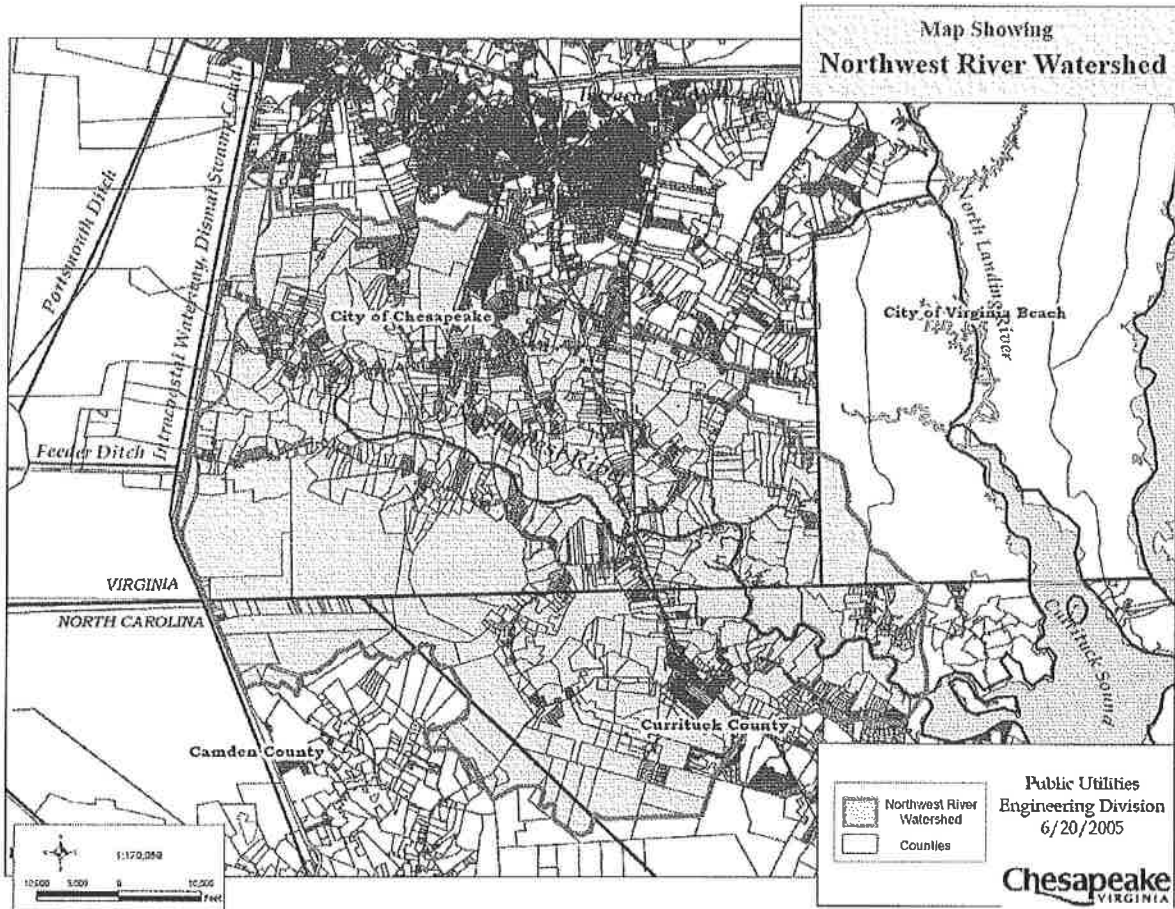
Strategic Operating Plan/SOP – This plan adopted by the Board of Directors of the Authority, which sets forth certain operational, maintenance, administrative and other responsibilities of the Authority with respect to the Disposal System and the performance of related services by the Authority, as the same may from time to time be updated, amended or modified in accordance with the terms hereof.

Yard Waste – Any Solid Waste defined as “yard waste” under the Virginia Waste Management Act (or other relevant Applicable Law) in effect from time to time, currently consisting of decomposable waste materials generated by yard and lawn care and including leaves, grass trimmings, brush, wood chips and shrub and tree trimmings, excluding roots, limbs or stumps that exceed the limitation(s) in length and/or diameter specified by a Member Locality from time to time.

[End of Definitions]

APPENDIX B

Northwest River Watershed



## SCHEDULE II

### SPECIAL TERMINATION PROVISION

1. Termination Notice. If the Member Locality desires to terminate this Agreement prior to the expiration of the Term, the Member Locality shall provide the Authority with written notice of its intention to so terminate this Agreement prior to the end of the Term, specifying the date on which the termination is to be effective (the "Termination Notice"); provided, unless otherwise agreed by the Authority, the effective date of any termination of this Agreement hereunder must (and shall) be at least two (2) years after the date of the Termination Notice delivered by the Member Locality. Following the delivery of a Termination Notice by the Member Locality hereunder, the parties shall thereafter continue to perform all of their respective obligations and comply with all of their respective covenants and requirements under this Agreement until the effective date of the termination of this Agreement and withdrawal of the Member Locality from the Authority hereunder.

2. Early Termination Payment.

(a) (i) As a condition to early termination of this Agreement, and in order to satisfy the requirements of the amendment to the Virginia Water and Waste Authorities Act set forth in the Virginia Acts of Assembly - 2000 Session, Chapter 596, Approved April 7, 2000, as may be amended from time to time (the "Withdrawal Provision"), the Member Locality shall pay a termination payment calculated in accordance with the terms of this Special Termination Provision (the "Early Termination Payment").

(ii) Specifically, the Early Termination Payment shall equal the Present Value Amount of the Member Locality's Pro Rata Share of the Net Financial Obligations of the

Authority, each as of the date of the Termination Notice, as further defined and determined in accordance with the following:

(A) The “Net Financial Obligations” of the Authority shall equal (1) all financial obligations of the Authority that are outstanding or otherwise exist as of the date of the Member Locality’s Termination Notice, including, but not necessarily limited to, (x) the principal and interest on all outstanding bonds and other indebtedness of the Authority, (y) all projected closure and post-closure financial obligations of the Authority with respect to the Disposal System (including but not necessarily limited to the Regional Landfill and any Delivery Points then maintained (owned/operated) by the Authority) and (z) all remaining financial obligations under contractual commitments (written and/or oral) then in effect, including but not limited to, waste-disposal contracts, vendor contracts, etc., minus (2) any cash or other immediately available funds that, as of the date of the Member Locality’s Termination Notice, the Authority has on hand and has specifically designated for use in connection with the satisfaction of specified financial obligations of the Authority (by way of example, in calculating Net Financial Obligations hereunder, the projected closure and post-closure financial obligations of the Authority with respect to the Disposal System would be reduced by the actual amount of any cash included within any “Landfill Closure Fund” maintained by the Authority in respect of such obligations as of the date of such Termination Notice).

(B) The Member Locality’s “Pro Rata Share” shall equal fraction, (i) the numerator of which shall be the total number of tons of Municipal Solid Waste delivered to the Authority by or on behalf of the Member Locality during the sixty (60) calendar month period ending on the last day of the month immediately preceding the month in which the Termination Notice was received by the Authority, and (ii) the denominator of which shall be the

total number of tons of Solid Waste delivered to the Authority during such sixty (60)-calendar month period by or on behalf of all SPSA Members that are members of the Authority as of the date of such Termination Notice (for clarity, the “historical” Solid Waste tonnage of any SPSA Member that has terminated its Post-2018 Use & Support Agreement as of the date of the Member Locality’s Termination Notice would be excluded from the denominator in the foregoing formula).

(C) The “Present Value Amount” shall equal the net discounted value of the Member Locality’s Pro Rata Share of the Net Financial Obligations of the Authority, discounted at the rate of interest on the 10-year U.S. Treasury Bills as listed in the *Wall Street Journal* on the date of the Member Locality’s Termination Notice.

3. Calculation of Financial Obligations and Early Termination Payment.

(a) Within six (6) months after its receipt of the Member Locality’s Termination Notice, the Authority shall provide to the Member Locality a written calculation of (i) the Net Financial Obligations of the Authority as of the date of such Termination Notice, (ii) the Member Locality’s Pro Rata Share of such Net Financial Obligations, and (iii) the corresponding Early Termination Payment payable by the Member Locality, as calculated based on the Present Value Amount of the Member Locality’s Pro Rata Share of such Net Financial Obligations.

(b) If the Member Locality disagrees with the Authority’s calculation of the Net Financial Obligations, the Member Locality’s Pro Rata Share of such Net Financial Obligations and/or the Early Termination Payment, the Member Locality shall notify the Authority in writing of such disagreement within thirty (30) days after receipt of the Authority’s



calculation(s) thereof, which written notice shall specify the nature of the dispute in as much detail as possible. Thereafter, the parties shall use their best efforts to resolve such disagreement through the joint consultation of the Authority and the Member Locality and arrive at a definitive calculation of the Net Financial Obligations, the Member Locality's Pro Rata Share of such Net Financial Obligations and/or the Early Termination Payment, as applicable (collectively, the "Final Termination Amounts"). **Failing timely objection by the Member Locality, the Net Financial Obligations, the Member Locality's Pro Rata Share of such Net Financial Obligations and the Early Termination Payment calculated by the Authority shall be deemed to be (and shall, for all purposes hereunder, be) the Final Termination Amounts.**

(c) (i) If the Member Locality raises a timely objection to the Authority's calculation of the Net Financial Obligations, the Member Locality's Pro Rata Share of such Net Financial Obligations and/or the Early Termination Payment, and the Member Locality and the Authority are unable to mutually arrive at the Final Termination Amounts within sixty (60) days after the date the Authority receives notice of the Member Locality's objection, such matter shall thereupon be submitted to the Independent Accounting Firm for definitive calculation of the Final Termination Amounts. The "Independent Accounting Firm" shall be a public accounting firm (A) that is not then providing, and has not at any time in the immediately preceding three (3) years provided, accounting, audit or other related services to either party; and (B) that either (x) is mutually agreed upon by the parties, or (y) if the parties are unable to agree upon an accounting firm, is jointly designated by the accounting firms then utilized by the parties for their respective accounting, audit and related financial services. The Independent Accounting Firm shall be designated by one of the foregoing methods within ten (10) days after the expiration of the sixty (60)-day period provided for above.

(ii) Within ninety (90) days after submission, the Independent Accounting Firm shall resolve any accounting issues in dispute and prepare and deliver in writing a definitive statement of the Final Termination Amounts. In preparing the Final Termination Amounts, the Independent Accounting Firm shall limit its work to resolving those accounting issues that are in dispute (and such other accounting issues as may be necessary to resolve those issues in dispute) in accordance with the definitions and terms set forth in this Agreement (including in particular this Special Termination Provision) and otherwise in accordance with GAAP.

(iii) The definitive statement of the Final Termination Amounts prepared by the Independent Accounting Firm shall be final and binding upon the parties, absent manifest error. The costs and fees of the Independent Accounting Firm shall be borne and paid solely by the Member Locality.

4. Final Notice; Revocation.

(a) The Member Locality must give the Authority written final notice of its planned termination of this Agreement hereunder. Such final notice of termination must be delivered by the Member Locality no later than six (6) months after the Final Termination Amounts described above have been definitively determined (whether by agreement of the parties, by the Independent Accounting Firm or otherwise).

(b) Notwithstanding anything to the contrary in the foregoing or anywhere else in this Agreement, the Member Locality shall have the right, at any time before the date that is six (6) months prior to the effective date of termination specified in its original Termination Notice, to revoke its Termination Notice by providing the Authority with written notice of such revocation, in which case (i) the Member Locality shall remain a SPSA Member and (ii) this

Agreement shall remain in full force and effect in accordance with its terms; provided, however, that the Member Locality shall, upon demand by the Authority, reimburse the Authority for all costs and expenses incurred by the Authority in connection with its preparation for the termination of this Agreement, including but not limited to all applicable legal, accounting, consulting and other advisory fees and expenses.

5. Payment Terms; Satisfaction of Contractual Obligations.

(a) The Member Locality shall pay its Early Termination Payment, whether determined by agreement of the parties, by the Independent Accounting Firm or otherwise, to the Authority in a single lump sum payment on the effective date of the termination of this Agreement.

(b) If the Member Locality has otherwise satisfied all payment and other obligations incurred under this Agreement between the date of its Termination Notice and the effective date of termination of this Agreement hereunder, then (i) the Authority's receipt of such Early Termination Payment shall be deemed to (and shall) satisfy all obligations of the Member Locality under or otherwise in respect of paragraph 2 of the Withdrawal Provision with respect to the termination and satisfaction of all written obligations incurred by the Member Locality while it was a SPSA Member, and (ii) no such written obligations so incurred by the Member Locality shall thereafter remain (or be deemed to remain) in effect; provided, however, that the Member Locality is and shall be solely responsible for complying with all other applicable terms and requirements of the Withdrawal Provision.

6. Special Acknowledgement. The parties recognize that the Authority will incur various costs and make capital and operational decisions throughout the Term of this Agreement based upon the expectation of providing services to the Member Locality, and to the other SPSA

Members, throughout the Initial Term or Renewal Term of this Agreement then in effect, and that the decision of the Member Locality to terminate this Agreement prior to the expiration thereof will or may have a variety of financial and operational consequences to the Authority. The parties further recognize that those consequences, and their costs, cannot be easily determined, and therefore the parties agree that the Early Termination Payment calculated hereunder constitutes a fair, reasonable and equitable quantification of the costs to the Authority of such consequences. Accordingly, (a) it is the intention of the parties to provide in this Special Termination Provision a means for the Member Locality to terminate this Agreement prior to its scheduled expiration date without financial harm or loss to the Authority or the other SPSA Members, (b) the provisions of this Special Termination Provision shall be construed, and the actions and determinations of the parties required hereunder shall be taken, consistent with that intent, and (c) the parties acknowledge and agree that the terms and conditions of this Special Termination Provision, including but not limited to the Early Termination Payment obligation provided for hereunder, are fair, reasonable and in the best interests of the Authority and the SPSA Members.

7. Additional Termination Conditions.

(a) As a further condition to effective termination of this Agreement prior to its scheduled expiration date, on or prior to the effective date of termination of this Agreement the Member Locality shall at its sole expense take all action required for it to withdraw from membership in the Authority, including, but not limited to, (i) satisfying all applicable procedural and other requirements set forth in the Withdrawal Provision, including paragraphs 2, 3 and 4 thereof, and (ii) assisting the Board of Directors of the Authority in adopting any amendment to

the Articles of Incorporation of the Authority that is or may be required to remove the Member Locality as a SPSA Member.

(b) The parties acknowledge and agree that termination of this Agreement shall not, alone, result in the termination of any other contract or agreement (if any) between the Authority and the Member Locality.

(c) Following termination of this Agreement in accordance with the terms of this Special Termination Provision, the Member Locality may not (and shall not) accept for disposal any Solid Waste delivered by or on behalf of any other city or county that is a SPSA Member for so long as such cities and counties remain SPSA Members.

[END]